# TSUN YIP HOLDINGS LIMITED
# 進業控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8356)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**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.**



*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.*

## FINANCIAL HIGHLIGHTS

### Consolidated Results

*For the year ended 31 March*

| | Changes | **2011** | 2010 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Revenue | 23.8% | **184,307** | 148,844 |
| Gross profit | -17.7% | **22,200** | 26,972 |
| Profit before income tax | -42.8% | **11,664** | 20,396 |
| Profit attributable to owners of the Company | -42.1% | **9,746** | 16,838 |
| Basic earnings per Share | -51.8% | **1.09** | 2.26 |
| Dividend per Share *(HK cents)* | N/A | **0.33** | N/A |

### Consolidated Financial Position

*As at 31 March*

| | Changes | **2011** | 2010 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Total assets | 20.3% | **74,224** | 61,697 |
| Cash and cash equivalents | 57.1% | **16,233** | 10,330 |
| Total liabilities | -27.7% | **28,444** | 39,357 |
| Equity attributable to owners of the Company | 104.9% | **45,780** | 22,340 |

### Ratios

*As at 31 March*

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Return on equity *(Note a)* | **21.3%** | 75.4% |
| Return on assets *(Note b)* | **13.1%** | 27.3% |
| Current ratio *(Note c)* | **2.3 times** | 1.3 times |
| Gearing ratio *(Note d)* | **9.2%** | 29.1% |

*Notes:*

(a) Return on equity is calculated as net profit divided by shareholders' equity.

(b) Return on assets is calculated as net profit divided by total assets.

(c) Current ratio is calculated as total current assets divided by total current liabilities.

(d) Gearing ratio is calculated as total bank borrowings and obligations under finance lease and advance received from customers divided by total assets.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

| | |
|---|---|
| "Board" | the board of Directors |
| "Chuwei" | Chuwei (BVI) Limited (祖為有限公司), a company incorporated in the BVI which is wholly and beneficially owned by Mr. Cheng |
| "Company" | Tsun Yip Holdings Limited (進業控股有限公司), a company incorporated in the Cayman Islands with limited liability on 15 March 2010 |
| "Director(s)" | director(s) of the Company |
| "Disposal" | the disposal of his entire substantial shareholding interest in the Company by Mr. Fung on 13 April 2011 |
| "Financial Statements" | the audited financial statements of the Group for the year ended 31 March 2011 |
| "GEM" | the Growth Enterprise Market of the Stock Exchange |
| "GEM Listing Rules" | the Rules Governing the Listing of Securities on GEM |
| "Government" | the Government of Hong Kong |
| "Group" | the Company and its subsidiaries or, where the context otherwise requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries or the businesses which have since been acquired or carried on by them |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "Listing" | the listing of the Shares on GEM on 30 August 2010 |
| "Lotawater" | Lotawater (BVI) Limited, a company incorporated in the BVI which is wholly and beneficially owned by Mr. Chia |
| "Mr. Cheng" | Mr. Cheng Ka Ming, Martin (鄭家銘), an executive Director |
| "Mr. Chia" | Mr. Chia Thien Loong, Eric John (謝天龍), an executive Director |
| "Mr. Fung" | Mr. Fung Chung Kin (馮中健), a former executive Director |
| "Mr. Kan" | Mr. Kan Kwok Cheung (簡國祥), an executive Director |

| | |
|---|---|
| "Placing" | the placing of 24,800,000 Shares each at a price of HK$1.28 per Share |
| "Prospectus" | the Company's prospectus dated 20 August 2010 in respect of the Listing |
| "Purplelight" | Purplelight (BVI) Limited, a company incorporated in the BVI which was wholly and beneficially owned by Mr. Fung before the Disposal and now is wholly and beneficially owned by Mr. Chia upon the completion of the Disposal |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended or otherwise modified from time to time |
| "Share(s)" | ordinary share(s) of the Company |
| "Share Option Scheme" | the share option scheme of the Company adopted on 11 August 2010 |
| "Share Subdivision" | the subdivision of each of the issued and unissued Share of HK$0.01 each into 10 new Shares of HK$0.001 each with effect from 23 December 2010 |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Shunleetat" | Shunleetat (BVI) Limited, a company incorporated in the BVI which is wholly and beneficially owned by Mr. Kan |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "TY Civil" | Tsun Yip Civil Construction Company Limited (進業土木工程有限公司), a company incorporated in Hong Kong with limited liability on 16 June 2000 and an indirect wholly-owned subsidiary of the Company |
| "TYW" | Tsun Yip Waterworks Construction Company Limited (進業水務建築有限公司), a company incorporated in Hong Kong with limited liability on 6 February 1996 and an indirect wholly-owned subsidiary of the Company |
| "TYW (BVI)" | TYW (BVI) Limited, a company incorporated in the BVI with limited liability on 2 July 2009 and a wholly-owned subsidiary of the Company |
| "WSD" | Water Supplies Department of the Government (水務署) |
| "HK$" and "HK cents" | Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong |
| "%" | per cent |

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 March 2011 together with the comparative figures for the corresponding year in 2010 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2011*

| | Notes | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|---|
| Revenue | 4 | **184,307** | 148,844 |
| Cost of service | | **(162,107)** | (121,872) |
| Gross profit | | **22,200** | 26,972 |
| Other income | 4 | **544** | 811 |
| Administrative expenses | | **(10,739)** | (6,753) |
| Profit from operations | 6 | **12,005** | 21,030 |
| Finance costs | | **(341)** | (634) |
| Profit before income tax | | **11,664** | 20,396 |
| Income tax | 7 | **(1,918)** | (3,558) |
| Profit and total comprehensive income for the year attributable to the owners of the Company | | **9,746** | 16,838 |
| Earnings per share attributable to owners of the Company — Basic and diluted *(HK cents)* | 9 | **1.09** | 2.26 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **12,711** | 13,308 |
| **Current assets** | | | |
| Inventories | | **16,180** | 9,788 |
| Trade and other receivables | 10 | **26,779** | 28,271 |
| Pledged bank deposits | | **2,000** | — |
| Tax recoverable | | **321** | — |
| Cash and cash equivalents | | **16,233** | 10,330 |
| | | **61,513** | 48,389 |
| **Total assets** | | **74,224** | 61,697 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **22,008** | 24,451 |
| Finance lease creditors | | **748** | 3,052 |
| Borrowings | | **2,733** | 4,532 |
| Employee benefits | | **897** | 473 |
| Current tax liabilities | | **273** | 4,365 |
| | | **26,659** | 36,873 |
| **Net current assets** | | **34,854** | 11,516 |
| **Total assets less current liabilities** | | **47,565** | 24,824 |

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Finance lease creditors | | **244** | 826 |
| Deferred tax liabilities | | **1,541** | 1,658 |
| | | **1,785** | 2,484 |
| **Total liabilities** | | **28,444** | 39,357 |
| **NET ASSETS** | | **45,780** | 22,340 |
| **Capital and reserves** | | | |
| Share capital | 13 | **992** | 9,868 |
| Reserves | 14 | **44,788** | 12,472 |
| **TOTAL EQUITY** | | **45,780** | 22,340 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2011*

| | **Share capital** | **Share premium account** | **Other reserves** | **Retained earnings** | **Proposed dividend** | **Total equity** |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Note 13)* | *(Note 14)* | *(Note 14)* | *(Note 14)* | *(Note 14)* | |
| At 1 April 2009 | 9,868 | — | — | 14,204 | — | 24,072 |
| Total comprehensive income for the year | — | — | — | 16,838 | — | 16,838 |
| Interim dividend paid during the year | — | — | — | (18,570) | — | (18,570) |
| Proposed final dividend | — | — | — | (4,000) | 4,000 | — |
| At 31 March 2010 and 1 April 2010 | 9,868 | — | — | 8,472 | 4,000 | 22,340 |
| Total comprehensive income for the year | — | — | — | 9,746 | — | 9,746 |
| Reorganisation | (9,868) | — | 9,868 | — | — | — |
| Issue of Share pursuant to the Placing | 248 | 31,496 | — | — | — | 31,744 |
| Share placement expenses | — | (10,776) | — | — | — | (10,776) |
| Capitalisation of share premium account | 744 | (744) | — | — | — | — |
| 2010 final dividend paid | — | — | — | — | (4,000) | (4,000) |
| 2011 1st interim dividend paid | — | — | — | (1,984) | — | (1,984) |
| 2011 2nd interim dividend paid | — | — | — | (1,290) | — | (1,290) |
| At 31 March 2011 | 992 | 19,976 | 9,868 | 14,944 | — | 45,780 |

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2011*

### 1. GENERAL

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 shares of the Company were listed on GEM on 30 August 2010.

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

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

#### (a) Adoption of new/revised HKFRSs — effective 1 April 2010

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs |
| Amendments to HKAS 39 | Eligible Hedged Items |
| Amendments to HKAS 32 | Classification of rights issues |
| Amendments to HKFRS 2 | Share-based Payment — Group Cash-settled Share-based Payment Transactions |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKFRS 3 (Revised) | Business Combinations |
| HK(IFRIC)-Interpretation 17 | Distributions of Non-cash Assets to Owners |
| HK Interpretation 5 | Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause |

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

*HKFRS 3 (Revised) — Business Combinations and HKAS 27 (Revised) — Consolidated and Separate Financial Statements*

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

*HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

Under the requirements of HK Interpretation 5, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. The adoption of the interpretation has had no material impact on the consolidated financial statements during the current and prior years as the Group's existing accounting policies are already in compliance with the interpretation.

Other than these, adoption of the other new or revised HKFRSs has had no material effects on the Group's consolidated financial statements nor resulted in substantial changes to the Group's accounting policies.

### (b) New/revised HKFRSs that have been issued but are not yet effective

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

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[1&2] |
| HKAS 24 (Revised) | Related Party Disclosures[2] |
| Amendments to HKFRS 7 | Disclosure — Transfers of Financial Assets[3] |
| HKFRS 9 | Financial Instruments[4] |

1 Effective for annual periods beginning on or after 1 July 2010

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

3 Effective for annual periods beginning on or after 1 July 2011

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

The Group is in the process of making an assessment of the potential impact of other new and revised HKFRSs and the directors so far have concluded that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

## 3. BASIS OF PREPARATION

### Group reorganisation

Under a group reorganisation scheme (the "Reorganisation") to rationalise the structure of the Group in preparation for the Listing, the Company became the holding company of the companies now comprising the Group on 11 August 2010.

Details of the Reorganisation are set out in the paragraph headed "Further information about the Company and its subsidiaries" in Appendix V to the Prospectus.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated Financial Statements of the Group have been prepared on a combined basis by applying the principles of merger accounting in accordance with the Accounting Guideline NO. 5 "Merger Accounting for Common Control Combination" issued by the HKICPA. The Financial Statements have been presented as if the current group structure had been in existence throughout the years ended 31 March 2010 and 2011 or from the respective dates of incorporation of the companies comprising the Group, where there is a shorter period.

**Basis of presentation**

The Financial Statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "HKFRSs") issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

The Financial Statements have been prepared under the historical cost basis and are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Group.

The accounting policies and methods of computation used in the preparation of the Financial Statements are consistent with those adopted in the accountant's report included in the Prospectus, except for the adoption of the new and revised HKFRSs as disclosed in note 2.

## 4. REVENUE AND OTHER INCOME

Revenue and other income recognised during the year are as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Turnover — revenue from construction works | **184,307** | 148,844 |
| **Other income** | | |
| Write-off of long outstanding trade payables which were overdue more than 6 years | **—** | 802 |
| Sundry income | **544** | 9 |
| | **544** | 811 |

## 5. OPERATING SEGMENTS

The Group is principally engaged in the provision of waterworks engineering services, road works and damage services and site formation works for the public sector in Hong Kong.

## 6. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contract costs recognised as expense, including borrowing costs of HK$57,000 (2010: HK$242,000) | **162,107** | 121,872 |
| Auditor's remuneration | **670** | 500 |
| Depreciation | **5,052** | 3,831 |
| Impairment loss on trade receivables | **—** | 243 |
| Loss on disposal of property, plant and equipment | **127** | 40 |
| Staff costs | **38,325** | 26,896 |

## 7. INCOME TAX

The amount of income tax in the consolidated statement of comprehensive income represents:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax — Hong Kong Profits tax | | |
| — tax for the year | **2,005** | 2,603 |
| — under-provision in respect of prior years | **30** | 90 |
| | **2,035** | 2,693 |
| Deferred tax | | |
| — current year | **(117)** | 865 |
| Income tax | **1,918** | 3,558 |

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary, TYW (BVI), are not subject to any income tax in the Cayman Islands and the BVI respectively.

The income tax for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before income tax | **11,664** | 20,396 |
| Tax calculated at the domestic tax rate of 16.5% | **1,925** | 3,365 |
| Tax effect of expenses not deductible for tax purposes | **211** | 63 |
| Tax effect of other temporary difference not recognised | **(248)** | 40 |
| Under-provision in respect of prior years | **30** | 90 |
| Income tax expense | **1,918** | 3,558 |

## 8. DIVIDENDS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividend distributed by the Company *(note (i))* | **3,274** | — |
| Dividend distributed by the subsidiaries *(note (ii))* | **4,000** | 18,570 |
| | **7,274** | 18,570 |

*Notes:*

(i) The Directors declared and paid the first interim dividend of HK0.2 cents per Share and second interim dividend of HK0.13 cents per Share, totalling HK$1,984,000 and HK$1,289,600 respectively for the year ended 31 March 2011.

(ii) The amount represented dividends declared and paid by the Company's subsidiaries to their then shareholders prior to the Listing. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of the annual financial statements.

(iii) No dividend has been proposed since the end of reporting period.

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per Share attributable to owners of the Company is based on the following data:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Earnings for the purposes of basic and diluted earnings per Share | **9,746** | 16,838 |

| | **Number of shares** | |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of Shares for the purposes of basic and diluted earnings per Share | 890,762 | 744,000 |

For the years ended 31 March 2011 and 2010, basic earnings per Share is same as diluted earnings per Share as there is no dilutive potential ordinary share outstanding during the years.

The weighted average number of Shares used in the calculation of basic and diluted earnings per Share for both years has been adjusted for the Share Subdivision effective on 23 December 2010 (note 13).

## 10. TRADE AND OTHER RECEIVABLES

| | **Group** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables — current *(note (i), (iii))* | **3,026** | 2,612 |
| Retention receivables *(note (ii), (iii)), (note 11)* | **6,425** | 6,495 |
| Other receivables and prepayments | **5,424** | 7,935 |
| Amounts due from customers for contract works *(note 11)* | **10,967** | 10,635 |
| Deposits | **937** | 594 |
| | **26,779** | 28,271 |

*Notes:*

(i) Trade receivables as at the end of the reporting period mainly derived from provision of construction works on civil engineering contracts. The related customers are mainly government department/organisation and reputable corporations. These customers have established good track records with the Group and have no history of default payments. On this basis, the management of the Company believes that no impairment allowance is necessary in respect of the trade receivables as at the end of reporting period. The Group does not hold any collateral over these balances.

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

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Current | **3,026** | 2,612 |
| Less than 1 month past due | **—** | — |
| 1 to 3 months past due | **—** | — |
| More than 3 months but less than 12 months past due | **—** | — |
| | **3,026** | 2,612 |

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.

(ii) Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contract or in accordance with the terms specified in the relevant contract.

(iii) Trade and other receivables including the retention receivables are short term and hence the Directors consider the carrying amounts of trade and other receivables approximate their fair values at the end of reporting periods.

## 11. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Contracts in progress at the end of reporting period: | | |
| Contract costs incurred to date plus recognised profits | **377,190** | 210,075 |
| Less: recognised losses | **—** | — |
| | **377,190** | 210,075 |
| Progress billings | **(366,223)** | (199,440) |
| | **10,967** | 10,635 |

"Contract costs incurred to date plus recognised profits" comprise direct materials, costs of subcontracting, direct labour, an appropriate portion of variable and fixed construction overheads and gross profit earned to date of the contracts, which is measured by reference to the certification by architects.

"Progress billings" represent the amounts billed to the customers for work performed up to the end of reporting period.

At 31 March 2011, retentions held by customers for contract works included in other receivables (note 10) amounted to HK$6,425,000 (2010: HK$6,495,000).

At 31 March 2011, advances received from customers included in other payables (note 12) under current liabilities amounted to HK$3,129,000 (2010: HK$9,550,000).

## 12. TRADE AND OTHER PAYABLES

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **11,083** | 8,046 |
| Retention money payables | **2,237** | 2,854 |
| Advances received from customers *(note (i)) (note 11)* | **3,129** | 9,550 |
| Amount due to a Shareholder *(note (ii))* | **145** | — |
| Other payables and accruals | **5,414** | 4,001 |
| | **22,008** | 24,451 |

*Notes:*

(i) Advances received from customers are unsecured, interest free and repayable on demand except for an amount of HK$3,450,000 bears interest at a rate of HIBOR + 4% per annum at 31 March 2010.

(ii) Amount due to a Shareholder represents the dividend payable to a Shareholder, which is unsecured, interest-free and repayable on demand as at 31 March 2011.

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

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Current or less than 1 month | **8,503** | 5,418 |
| 1 to 3 months | **2,322** | 1,104 |
| More than 3 months but less than 12 months | **35** | 385 |
| More than 12 months | **223** | 1,139 |
| | **11,083** | 8,046 |

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of fair value.

## 13. SHARE CAPITAL

| | Notes | Number of shares At HK$0.01 each | Number of shares At HK$0.001 each | Nominal value HK$'000 |
|---|---|---|---|---|
| **Authorised** | | | | |
| On incorporation and at 1 April 2010 | (a) | 38,000,000 | — | 380 |
| Increase in authorised share capital | (b) | 49,962,000,000 | — | 499,620 |
| Effect of Share Subdivision to HK$0.001 each | (e) | (50,000,000,000) | 500,000,000,000 | — |
| As at 31 March 2011 | | — | 500,000,000,000 | 500,000 |
| **Issued** | | | | |
| At 1 April 2010 | | — | — | 9,868 |
| Reorganisation | | — | — | (9,868) |
| Issue of Shares in connection with the Recognisation | | 1,000 | — | — |
| Issue of Shares pursuant to the Placing | (c) | 24,800,000 | — | 248 |
| Capitalisation of share premium account | (d) | 74,399,000 | — | 744 |
| Effect of Share Subdivision | (e) | (99,200,000) | 992,000,000 | — |
| At 31 March 2011 | | — | 992,000,000 | 992 |

*Notes:*

(a) The Company was incorporated in the Cayman Islands on 15 March 2010 with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On the same date, one Share was allotted and issued nil paid to the initial subscriber.

(b) Pursuant to the written resolutions of all the shareholders passed on 11 August 2010, the authorised share capital of the Company was increased from HK$380,000 to HK$500,000,000 by the creation of additional 49,962,000,000 Shares of HK$0.01 each which ranked *pari passu* in all respects with the Shares then in issue.

(c) On 30 August 2010, 24,800,000 Shares of HK$0.01 each were issued by way of the Placing at a price of HK$1.28 per Share for cash consideration of HK$31,744,000. The excess of the placing price over the par value of the Shares issued was credited to the share premium account.

(d) On 30 August 2010, an aggregate of 74,399,000 Shares of HK$0.01 each were allotted, issued at par and fully paid to the shareholders whose names appeared on the register of members of the Company as at 11 August 2010 by way of capitalisation of a total sum of HK$743,990 out of the share premium account of the Company arising from the Placing.

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

## 14. RESERVES

| Group | Share premium account | Other reserve | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 31 March 2009** | — | — | 14,204 | — | 14,204 |
| Total comprehensive income for the year | — | — | 16,838 | — | 16,838 |
| Interim dividends paid during the year *(note 8)* | — | — | (18,570) | — | (18,570) |
| Proposed final dividend | — | — | (4,000) | 4,000 | — |
| **At 31 March and 1 April 2010** | — | — | 8,472 | 4,000 | 12,472 |
| Total comprehensive income for the year | — | — | 9,746 | — | 9,746 |
| Reorganisation | | 9,868 | — | — | 9,868 |
| Issue of Shares pursuant to the Placing | 31,496 | — | — | — | 31,496 |
| Share placement expenses | (10,776) | — | — | — | (10,776) |
| Capitalisation of share premium account | (744) | — | — | — | (744) |
| Dividends paid during the year *(note 8)* | — | — | (3,274) | (4,000) | (7,274) |
| **At 31 March 2011** | 19,976 | 9,868 | 14,944 | — | 44,788 |

## 15. RELATED PARTY TRANSACTIONS

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

| Related party relationship | Type of transaction | Transaction amount 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| A company that Mr. Chia Thien Loong, Eric John, a director of the Company had material interest | Rental expenses for an office premise paid *(note (i))* | **48** | 44 |
| | Service fee for announcement posting agreement | **9** | — |
| Spouse of Mr. Fung Chung Kin, a director of the Company | Sale of a motor vehicle to the Group *(note (ii))* | **—** | 150 |
| Mr. Kan Kwok Cheung, a director and controlling shareholder of the Company | Shareholder's loan to the Company *(note (iii))* | **4,040** | — |

*Notes:*

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

(ii) The purchase of motor vehicle from the spouse of Mr. Fung, a former director of the Company was made according to the published price. This related transaction is one-off in nature.

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

One of the Company's directors, who is also a shareholder of the Company, has provided personal guarantee to the lessor in respect of the Group's obligations under finance lease as at the end of the reporting period.

The Directors considered that the above related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

**(b) Compensation of key management personnel of the Group**

The key management personnel of the Group are the directors of the Company.

## 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 year ended 31 March 2011, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong.

During the year ended 31 March 2011, the Group has been undertaking two main contracts and four subcontracts, all of which are related to provision of waterworks engineering services. Details of the contracts undertaken are set out below:

| **Contract number** | **Particulars of contract** | **Client** | **Contract period under main contract** | |
|---|---|---|---|---|
| **Main contracts** | | | | |
| 3/WSD/09 | Water supply to Ta Tit Yan, Tai Po — construction of water tank, pump house and mainlaying | WSD | Jun 2009 — Oct 2010 | |
| 9/WSD/09 | Replacement and rehabilitation of water mains stage 3 — mains in Sai Kung | WSD | May 2010 — Nov 2012 | **Total contract value** HK$676.4 million |
| **Subcontracts** | | | | **Total amount of works certified** *(Note)* HK$389.7 million |
| 21/WSD/06 | Replacement and rehabilitation of water mains stage 2 — mains in Tai Po and Fanling | Ming Hing Civil Contractors Limited | Aug 2007 — Apr 2012 | |
| 18/WSD/08 | Replacement and rehabilitation of water mains stage 3 — mains on Hong Kong Island South and outlying islands | Ming Hing Civil Contractors Limited | Mar 2009 — Sep 2013 | |
| 1/WSD/09(W) | Term contract for Waterworks District W — New Territories West | Ming Hing Civil Contractors Limited | Sep 2009 — Aug 2012 | |
| 16/WSD/09 | Salt water supply for Northwest New Territories, mainlaying in Yuen Long | China Geo-China Harbour Joint Venture | Feb 2010 — Mar 2014 | |

*Note:* Amount of works certified is based on the certificates of payment received from client.

Among the above six contracts, one main contract (contract numbered 9/WSD/09) and one subcontract (contract numbered 16/WSD/09) were newly awarded during the year ended 31 March 2011.

Contract numbered 3/WSD/09 was completed during the year and has entered into the maintenance period for a period of 12 months.

During the year under review, the two subcontracts with contracts numbered 18/WSD/08 and 21/WSD/06 were the main contributors to the Group's revenue, which generated approximately HK$77.4 million and HK$64.5 million revenue, representing approximately 42.0% and 35.0% of the Group's total revenue respectively.

After the year ended 31 March 2011 and up to the date of this report, the Group has successfully obtained a new subcontract for replacement and rehabilitation of water mains, stage 4 phase 1 — mains in Tuen Mun, Yuen Long, North District and Tai Po (contract numbered 8/WSD/10), with contract sum of approximately HK$433.1 million, from Hsin Chong Construction Company Limited. The works of this subcontract started on April 2011 and are estimated to be completed in December 2015.

**Financial Review**

*Revenue*

For the year ended 31 March 2011, the Group reported a turnover of approximately HK$184.3 million (2010: HK$148.8 million), representing an increase of approximately 23.8% as compared with that for the previous year.

The higher turnover was mainly due to the increase in works from the contract for replacement and rehabilitation of water mains stage 3 — mains on Hong Kong Island South and outlaying islands (contract numbered 18/WSD/08) and the commencement of new contract for replacement and rehabilitation of water mains stage 3 — mains in Sai Kung (contract numbered 9/WSD/09).

During the year under review, the revenue of the Group was primarily generated from the undertaking of waterworks contracts in the capacity of a subcontractor. The breakdown of total revenue by nature of capacity of the Group is set forth below:

| | **For the year ended 31 March** | | | |
|---|---|---|---|---|
| | **2011** | | 2010 | |
| | ***HK$'000*** | % | *HK$'000* | % |
| Main contractor | **27,467** | **14.9** | 17,154 | 11.5 |
| Subcontractor | **156,840** | **85.1** | 131,690 | 88.5 |
| Total | **184,307** | **100.0** | 148,844 | 100.0 |

*Cost of Service*

The Group's cost of service increased by approximately 33.0% to approximately HK$162.1 million for the year ended 31 March 2011 (2010: HK$121.9 million) as compared with that for the previous year. Cost of service mainly includes raw materials, direct labour and subcontracting fee for services provided by the subcontractors. The following table sets out a breakdown of the Group's cost of service:

| | **For the year ended 31 March** | | | |
|---|---|---|---|---|
| | **2011** | | 2010 | |
| | ***HK$'000*** | **%** | *HK$'000* | % |
| Raw materials | **37,640** | **23.2** | 30,331 | 24.9 |
| Direct labour | **31,489** | **19.4** | 22,899 | 18.8 |
| Subcontracting fee | **57,208** | **35.3** | 40,123 | 32.9 |
| Other direct costs | **35,770** | **22.1** | 28,519 | 23.4 |
| Total | **162,107** | **100.0** | 121,872 | 100.0 |

*Gross Profit*

The gross profit of the Group for the year ended 31 March 2011 decreased by approximately 17.7% to approximately HK$22.2 million (2010: HK$27.0 million) as compared with that for the previous year. The gross profit margin of the Group decreased to approximately 12.0% for the year ended 31 March 2011 (2010: 18.1%). The decrease in gross profit and gross profit margin was largely a consequence of certain projects reaching a work stage with relatively thinner gross profit margin.

*Other Income*

The Group's other income for the year ended 31 March 2011 amounted to approximately HK$544,000 (2010: HK$811,000). The main contributor of other income for the year ended 31 March 2011 was the compensation received from a supplier for late delivery of raw materials, while for the previous year, the main contributor was the write-off of long outstanding trade payables.

*Administrative Expenses*

The Group's administrative expenses for the year ended 31 March 2011 increased by approximately 59.0% to approximately HK$10.7 million (2010: HK$6.8 million) as compared with that for the 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 staff costs to support the expansion of the Group's business and the increase in legal and professional fees for services provided by the professional parties after the Listing.

*Finance Expenses*

The Group's finance expenses for the year ended 31 March 2011 decreased by approximately 46.2% to approximately HK$341,000 (2010: HK$634,000) as compared with that for the previous year. The decrease was mainly attributable to the decrease in the interest expenses for finance leases since some finance leases were fully paid off while no new finance lease was entered into during the year ended 31 March 2011 and the decrease in interest expenses for bank loans/overdrafts since all the bank loans that were granted in the previous financial year had been cancelled in July 2010 and no bank overdrafts had been drawn during the year ended 31 March 2011.

*Net Profit*

The Group recorded a net profit attributable to owners of the Company of approximately HK$9.7 million for the year ended 31 March 2011 (2010: HK$16.8 million), representing a decrease of approximately 42.1% as compared with that for the previous year. The decrease in net profit was mainly resulted from the decrease in gross profit margin and the increase in staff costs (including Directors' remuneration), legal and professional fees in administrative expense.

*Earnings per Share*

The basic earnings per Share was approximately HK1.09 cents (2010: HK2.26 cents).

**Prospects**

During the year ended 31 March 2011, the Group has obtained two new waterworks contracts. In addition, a new waterworks contract with contract sum of approximately HK$433.1 million has been awarded after the year ended 31 March 2011 and up to the date of this report. It is expected that this new contract will contribute significantly to the Group's turnover in the next four years.

In the coming years, it is believed that the replacement and rehabilitation programme of water mains (the "R&R Programme") launched by 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.

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

## Capital Structure

The Shares were listed on GEM on 30 August 2010. Except for the Share Subdivision, there has been no change in the capital structure of the Company since that date. The capital of the Group comprises only ordinary shares.

Total equity attributable to owners of the Company amounted to approximately HK$45.8 million as at 31 March 2011 (31 March 2010: HK$22.3 million). The increase was mainly attributable to the funds raised from the Placing which amounted to HK$31,744,000 before share issue costs.

## Liquidity and Financial Resources

During the year ended 31 March 2011, the Group generally financed its operations through internally generated cash flows, borrowings from bank or Shareholder and net proceeds from the Placing.

As at 31 March 2011, the Group had net current assets of approximately HK$34.9 million (31 March 2010: HK$11.5 million), including cash balance of approximately HK$16.2 million (31 March 2010: HK$10.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.31 as at 31 March 2011 (31 March 2010: 1.31). The improvement in the current ratio was mainly due to the funds raised from the Placing.

## Gearing Ratio

The gearing ratio, which is based on the amount of total bank borrowings and obligations under finance lease and advance received from customers divided by total assets, was 9.2% as at 31 March 2011 (31 March 2010: 29.1%). The decrease was resulted from the full repayment of all the bank loans that granted in previous financial year, the full repayment of loan from a Shareholder, and the receipt of net proceeds from the Placing.

## Foreign Exchange Exposure

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

## Capital Commitment

As at 31 March 2011, the Group did not have any significant capital commitments (31 March 2010: Nil).

**Charges on the Group's Assets**

As at 31 March 2011, the Company pledged HK$2,000,000 time deposit for a HK$10,000,000 bank facility. The outstanding amount of the loan facility was approximately HK$2.7 million as at 31 March 2011. The Group's motor vehicles with the net book value as at 31 March 2011 amounted to approximately HK$1.7 million (31 March 2010: HK$5.5 million for motor vehicles and HK$0.3 million for machinery) were held under finance lease.

**Contingent Liabilities**

As at 31 March 2011, the Group did not have any material contingent liabilities (31 March 2010: Nil).

**Information on Employees**

As at 31 March 2011, the Group had 166 full-time employees in Hong Kong and over 90% of them are direct labour. Total staff costs (including remuneration of the Directors) for the year ended 31 March 2011 amounted to approximately HK$38.3 million (2010: HK$26.9 million), representing an increase of approximately 42.5% 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.

**Significant Investment Held**

Except for investment in subsidiaries, during the year ended 31 March 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 Group did not have other plans for material investments and capital assets.

**Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

During the year ended 31 March 2011, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

**DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2011 in view of the need for preserving capital for the implementation of the new contract awarded (contract numbered 8/WSD/10).

The total dividend paid for the year ended 31 March 2011 amounts to HK$3,273,600, comprising the first interim dividend of HK0.2 cents per Share (after adjustment for the Share Subdivision), totalling HK$1,984,000 for the six months ended 30 September 2010 paid by the Company on

7 December 2010, and the second interim dividend of HK0.13 cents per Share, totalling HK$1,289,600 for the three months ended 31 December 2010 paid by the Company on 25 February 2011, which represents a payout ratio of about 33.6%.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 August 2011 to Wednesday, 17 August 2011, both days inclusive. During this period, no transfer of Shares will be registered. In order to to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 12 August 2011.

## PURCHASE, SALE OR REDEMPTION OF THE SHARES

Save as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 March 2011.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company 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 since the date of Listing and up to 31 March 2011.

## POST BALANCE SHEET EVENTS

Subsequent to 31 March 2011 and up to the date of this announcement, following significant event has taken place:

### Change in Shareholding Structure and Substantial Shareholder

Mr. Fung, who was a substantial shareholder of the Company has disposed of his substantial shareholding interest in the Company on 13 April 2011. Prior to the Disposal, Mr. Fung was the sole beneficial owner of Purplelight which in turn held 111,600,000 Shares, representing 11.25% of the issued share capital of the Company.

The Disposal involved (i) Purplelight disposing of 33,480,000 Shares, representing 3.375% of the issued share capital of the Company, to Chuwei; and (ii) Mr. Fung disposing of his shareholding in the entire issued share capital of Purplelight, which then held 78,120,000 Shares representing 7.875% of the issued share capital of the Company, to Mr. Chia. Completion of the Disposal took place on 13 April 2011. Upon completion of the Disposal, Mr. Cheng, through his interest in Chuwei, is interested in 163,680,000 Shares, representing 16.50% of the issued share capital of the Company as at the date hereof, while Mr. Chia, through his interests in Lotawater and Purplelight, is interested in an aggregate of 171,120,000 Shares, representing 17.25% of the issued share capital of the Company as at the date hereof. Mr. Fung ceased to be interested in any Shares after the Disposal.

Further details of the Disposal are set out in the announcement of the Company dated 13 April 2011.

Except disclosed above, the Directors are not aware of any significant events that have taken place subsequent to 31 March 2011 and up to the date of this announcement.

**AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") 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 composition of the Audit Committee is as follows:

**Independent non-executive Directors**
Mr. Lim Hung Chun *(Chairman)*
Mr. Lo Ho Chor
Mr. Sung Lee Kwok *(resigned on 16 May 2011)*
Mr. Hau Chi Kit *(appointed on 16 May 2011)*

The members of the Audit Committee possess diversified industry experience and the chairman of the Audit Committee has appropriate professional qualifications and experience in accounting matters.

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

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

Hong Kong, 15 June 2011

*As at the date of this announcement, 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:*
*Hau Chi Kit*
*Lim Hung Chun*
*Lo Ho Chor*

*This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the day of its posting and the Company's website at http://www.tsunyip.hk.*