

# Fairson Holdings Limited

鈺皓控股有限公司

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

(Stock Code: 8132)

## FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2012

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## ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2012 (the “Financial Year”) together with the comparative figures for the year ended 31 March 2011 (the “Previous Financial Year”) as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Note	2012 HK\$	2011 HK\$
<b>Turnover</b>	3	<b>175,497,631</b>	160,212,607
Cost of sales		<u>(159,039,622)</u>	<u>(126,299,803)</u>
<b>Gross profit</b>		<b>16,458,009</b>	33,912,804
Other (losses)/gains-net	4	<b>(1,594,050)</b>	5,795,739
Selling expenses		<b>(4,758,295)</b>	(5,190,804)
Administrative expenses		<u><b>(18,880,966)</b></u>	<u>(12,772,645)</u>
<b>Operating (loss)/profit</b>	5	<b>(8,775,302)</b>	21,745,094
Finance income	6	<b>16,529</b>	43,260
Finance costs	6	<b>(726,885)</b>	(805,922)
Share of profit of a jointly controlled entity		<u>–</u>	<u>46,494</u>
<b>(Loss)/profit before income tax</b>		<b>(9,485,658)</b>	21,028,926
Income tax expense	7	<u><b>(1,144,137)</b></u>	<u>(3,006,186)</u>
<b>(Loss)/profit for the year</b>		<b>(10,629,795)</b>	18,022,740
<b>Other comprehensive income:</b>			
Change in value of available-for-sale financial assets		<b>(191,847)</b>	–
Currency translation differences		<u><b>263,617</b></u>	<u>–</u>
<b>Total comprehensive (loss)/income for the year</b>		<u><b>(10,558,025)</b></u>	<u>18,022,740</u>
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company		<b>(9,002,422)</b>	18,022,740
Non-controlling interest		<u><b>(1,627,373)</b></u>	<u>–</u>
		<u><b>(10,629,795)</b></u>	<u>18,022,740</u>

	<i>Note</i>	<b>2012</b> <b>HK\$</b>	2011 <i>HK\$</i>
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity holders of the Company		<b>(8,993,401)</b>	18,022,740
Non-controlling interest		<b>(1,564,624)</b>	—
		<b><u>(10,558,025)</u></b>	<b><u>18,022,740</u></b>
 (Loss)/earnings per share attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– Basic and diluted	<i>9</i>	<b><u>(1.67)</u></b>	<b><u>4.68</u></b>
 Dividend	 <i>8</i>	 <b><u>—</u></b>	 <b><u>10,000,000</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Note	2012 HK\$	2011 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		28,008,676	16,708,778
Goodwill		7,891,161	11,041,467
Available-for-sale financial assets		2,541,278	–
Other non-current assets		650,000	–
		<u>39,091,115</u>	<u>27,750,245</u>
<b>Current assets</b>			
Inventories		21,738,090	17,662,321
Trade and other receivables	10	56,147,289	42,411,351
Amount due from a related company		–	7,128
Amounts due from directors		–	242,900
Financial assets at fair value through profit or loss		839,660	1,016,838
Pledged deposits		5,510,226	2,523,824
Cash and cash equivalents		19,921,494	6,507,341
		<u>104,156,759</u>	<u>70,371,703</u>
<b>Total assets</b>		<u><b>143,247,874</b></u>	<u><b>98,121,948</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	11	550,000	–
Reserves		63,034,410	42,497,396
		63,584,410	42,497,396
<b>Non-controlling interest</b>		<u>835,376</u>	<u>–</u>
<b>Total equity</b>		<u><b>64,419,786</b></u>	<u><b>42,497,396</b></u>

	<i>Note</i>	<b>2012</b> <b>HK\$</b>	2011 <i>HK\$</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		–	145,031
Deferred income tax liabilities		<u>973,694</u>	<u>873,585</u>
		<u>973,694</u>	<u>1,018,616</u>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>39,736,598</b>	33,538,396
Amount due to a director		<b>4,207,422</b>	–
Amounts due to a related party		<b>1,241,812</b>	–
Current income tax liabilities		<b>6,576,464</b>	5,907,802
Borrowings		<u>26,092,098</u>	<u>15,159,738</u>
		<u>77,854,394</u>	<u>54,605,936</u>
<b>Total liabilities</b>		<b><u>78,828,088</u></b>	<b><u>55,624,552</u></b>
<b>Total equity and liabilities</b>		<b><u>143,247,874</u></b>	<b><u>98,121,948</u></b>
<b>Net current assets</b>		<b><u>26,302,365</u></b>	<b><u>15,765,767</u></b>
<b>Total assets less current liabilities</b>		<b><u>65,393,480</u></b>	<b><u>43,516,012</u></b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Attributable to equity holders of the Company						Total	Non-controlling interest	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Translation reserve	Retained earnings			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
<b>Balance at 1 April 2010</b>	-	-	1,351,983	-	-	33,122,673	34,474,656	-	34,474,656
Profit and total comprehensive income for the year	-	-	-	-	-	18,022,740	18,022,740	-	18,022,740
Dividend (Note 8)	-	-	-	-	-	(10,000,000)	(10,000,000)	-	(10,000,000)
Transfer to statutory reserve	-	-	829,576	-	-	(829,576)	-	-	-
<b>Balance at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>2,181,559</b>	<b>-</b>	<b>-</b>	<b>40,315,837</b>	<b>42,497,396</b>	<b>-</b>	<b>42,497,396</b>
<b>Balance at 1 April 2011</b>	<b>-</b>	<b>-</b>	<b>2,181,559</b>	<b>-</b>	<b>-</b>	<b>40,315,837</b>	<b>42,497,396</b>	<b>-</b>	<b>42,497,396</b>
Loss for the year	-	-	-	-	-	(9,002,422)	(9,002,422)	(1,627,373)	(10,629,795)
Other comprehensive income:									
Change in value of available-for-sale financial assets	-	-	-	(191,847)	-	-	(191,847)	-	(191,847)
Currency translation differences	-	-	-	-	200,868	-	200,868	62,749	263,617
Total comprehensive loss for the year	-	-	-	(191,847)	200,868	(9,002,422)	(8,993,401)	(1,564,624)	(10,558,025)
Issuance of shares upon placing, net of share of issuance expenses (Note 11)	550,000	29,530,415	-	-	-	-	30,080,415	-	30,080,415
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	2,400,000	2,400,000
Transfer to statutory reserve	-	-	320,476	-	-	(320,476)	-	-	-
<b>Balance at 31 March 2012</b>	<b>550,000</b>	<b>29,530,415</b>	<b>2,502,035</b>	<b>(191,847)</b>	<b>200,868</b>	<b>30,992,939</b>	<b>63,584,410</b>	<b>835,376</b>	<b>64,419,786</b>

# NOTES TO THE FINANCIAL INFORMATION

## 1 General information

The Company was incorporated in the Cayman Islands on 25 June 2010 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located in Flat A-C, 9th Floor, Yue Cheung Centre, 1-3 Wong Chuk Yeung Street, Fotan, Shatin, New Territories, Hong Kong.

The Company is an investment holding company and the Group are principally engaged in the manufacturing and sale of power and data cords, raw cables and copper wires in Hong Kong and the People's Republic of China (the "PRC").

The Company's shares were listed on GEM of the Stock Exchange on 18 May 2011.

These consolidated financial information are presented in Hong Kong dollars ("HK\$"), unless otherwise stated. These consolidated financial information have been approved for issue by the Board of Directors on 25 June 2012.

## 2 Basis of preparation

The consolidated financial information have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial information have been prepared under the historical cost convention, as modified by the available-for-sale financial assets and financial assets at fair value through profit and loss.

The preparation of the consolidated financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Amendments and interpretations to existing standards effective in 2011 but has no impact to the Group's results and financial position:

- HKAS 24 (Revised), 'Related Party Disclosure'
- HK(IFRIC)-Int 14, 'Prepayments of A Minimum Funding Requirements'
- HKAS 32 (Amendment), 'Classification of Right Issue'
- HKFRS1 (Amendment), 'Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters'
- HK(IFRIC)-Int 19, 'Extinguishing Financial Liabilities with Equity Instruments'
- Annual Improvements Project, 'Third Annual Improvements Projects (2010)' Published in May 2010

- (b) The following new and revised standards have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted. The Group is assessing the impact of these standards. The Group will apply these standards from their effective dates.

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Revised)	Presentation of Financial Statements	1 July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of underlying Assets	1 January 2012
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interest in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKAS 19 (Revised)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013

Apart from the above, a number of improvements and minor amendments to HKFRS have also been issued by the Hong Kong Institute of Certified Public Accountants but they are not yet effective for the accounting period ended 31 March 2012 and have not been adopted in these consolidated financial information.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

### **3 Segment information**

The chief operating decision-maker (the "CODM") has been identified collectively as the executive directors of the Company. The executive directors of the Company review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

Management regularly reviews the operating results of the Group from a product category perspective. The reportable operating segments derive their revenue primarily from the manufacturing and sale of power and data cords. Management assesses the performance of the following segments:

- Power cords and inlet sockets for household electric appliances
- Power and data cords for mobile handset and medical control devices
- Raw cables
- Copper wires



Management assesses the performance of the operating segments based on the measure of gross profits.

The sales from the trading of plant and equipment and other cables are not included in the reportable operating segments as the information is not reviewed by the CODM. The turnover and results of these operations are included in the 'all other segments' column.

The segment information provided to the CODM for the reportable segments for the years ended 31 March 2012 and 2011 is as follows:

	<b>Power cords and inlet sockets for household electric appliances</b> <i>HK\$</i>	<b>Power and data cords for mobile handsets and medical control devices</b> <i>HK\$</i>	<b>Raw cables</b> <i>HK\$</i>	<b>Copper wires</b> <i>HK\$</i>	<b>All other segments</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
<b>For the year ended 31 March 2012</b>						
Segment revenue	46,817,794	85,254,755	28,043,051	38,292,737	449,791	198,858,128
Inter-segment revenue	–	–	(23,360,497)	–	–	(23,360,497)
Revenue (from external customers)	<u>46,817,794</u>	<u>85,254,755</u>	<u>4,682,554</u>	<u>38,292,737</u>	<u>449,791</u>	<u>175,497,631</u>
Segment results	<u>4,513,802</u>	<u>14,076,510</u>	<u>(603,643)</u>	<u>(1,877,978)</u>	<u>349,318</u>	<u>16,458,009</u>
<b>For the year ended 31 March 2011</b>						
Segment revenue	42,024,999	105,261,285	21,763,614	–	1,624,010	170,673,908
Inter-segment revenue	–	–	(10,461,301)	–	–	(10,461,301)
Revenue (from external customers)	<u>42,024,999</u>	<u>105,261,285</u>	<u>11,302,313</u>	<u>–</u>	<u>1,624,010</u>	<u>160,212,607</u>
Segment results	<u>9,874,190</u>	<u>21,439,352</u>	<u>2,002,029</u>	<u>–</u>	<u>597,233</u>	<u>33,912,804</u>

Sales between segments are carried out in accordance with the terms mutually agreed between the respective parties. The revenue from external parties reported to the Group's senior management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

A reconciliation of segment results to (loss)/profit before income tax is provided as follows:

	<b>2012</b>	2011
	<b>HK\$</b>	<b>HK\$</b>
Segment results	<b>16,458,009</b>	33,912,804
Other (losses)/gains – net	<b>(1,594,050)</b>	5,795,739
Selling and administrative expenses	<b>(23,639,261)</b>	(17,963,449)
Operating (loss)/profit	<b>(8,775,302)</b>	21,745,094
Finance costs – net	<b>(710,356)</b>	(762,662)
Share of profit of a jointly controlled entity	<b>–</b>	46,494
(Loss)/profit before income tax	<b>(9,485,658)</b>	21,028,926

The total revenue from external customers in the PRC and Hong Kong is approximately HK\$154,565,000 for the year ended 31 March 2012 (2011: HK\$122,561,000). The total revenue from external customers in other countries is approximately HK\$20,933,000 for the year ended 31 March 2012 (2011: HK\$37,651,000).

The total non-current assets located in Hong Kong are approximately HK\$17,849,000 as at 31 March 2012 (2011: HK\$7,426,000). The total non-current assets located in other countries are approximately HK\$21,242,000 as at 31 March 2012 (2011: HK\$20,324,000).

Details of the customers accounting for 10% or more of total revenue are as follows:

	<b>2012</b>	2011
	<b>HK\$</b>	<b>HK\$</b>
Customer A	<b>28,588,872</b>	1,333,549 <sup>1</sup>
Customer B	<b>26,832,461</b>	13,040,868 <sup>1</sup>
Customer C	<b>26,520,549</b>	49,360,387
Customer D	<b>19,910,292</b>	18,481,532
Customer E	<b>12,784,176</b>	– <sup>1</sup>

<sup>1</sup> Sales to these customers did not exceed 10% of total revenue in the respective years. The amounts were shown for comparative purpose.

Breakdown of revenues from all activities is as follows:

	<b>2012</b>	2011
	<b>HK\$</b>	<b>HK\$</b>
Sales of power cables, electric cords, raw cables and copper wires		
– third parties	<b>175,047,840</b>	156,405,175
– a related party	<b>–</b>	2,183,422
Others	<b>449,791</b>	1,624,010
	<b>175,497,631</b>	160,212,607

#### 4 Other (losses)/gains-net

	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Foreign exchange loss, net	(1,666,802)	(575,098)
Fair value gain on previously held interest in a jointly controlled entity	–	5,520,734
Fair value (loss)/gain on financial assets at fair value through profit or loss	(181,144)	57,083
Management service fee income from a related party	–	612,462
Sundry income	253,896	180,558
	<u>(1,594,050)</u>	<u>5,795,739</u>

#### 5 Operating (loss)/profit

Operating (loss)/profit for the year is stated after charging/(crediting) the following:

	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Raw materials and consumables used	111,802,555	94,986,706
Changes in inventories of finished goods and work in progress	(2,674,970)	(3,661,900)
Operating lease payments in respect of factories	2,822,400	1,819,047
Depreciation	5,772,918	4,143,554
Provision for obsolescence of inventories	2,324,794	276,928
Impairment of goodwill	3,150,306	3,243,500
Employee benefit expense including directors' emoluments	31,715,147	22,845,602
Auditors' remuneration	1,080,000	700,000
Loss on disposal of property, plant and equipment	10,790	10,833
	<u>111,802,555</u>	<u>94,986,706</u>

#### 6 Finance income and costs

	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Finance costs:		
– Bank borrowings repayable within five years	445,531	463,670
– Trust receipt bank loans and factoring loans	281,354	342,252
	<u>726,885</u>	<u>805,922</u>
Finance income:		
– Short-term bank deposits	16,529	43,260
	<u>16,529</u>	<u>43,260</u>

## 7 Income tax expense

	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Current income tax		
– Hong Kong profits tax	116,842	1,616,253
– PRC corporate income tax	927,186	1,366,062
Deferred income tax	100,109	23,871
	<u>1,144,137</u>	<u>3,006,186</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year ended 31 March 2012 (2011: 16.5%). The PRC corporate income tax is provided at the rate of 25% for the year ended 31 March 2012 (2011: 23%).

## 8 Dividend

	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend declared and paid of HK\$3.33 per ordinary share	<u>–</u>	<u>10,000,000</u>

No final dividend has been paid or declared by the Company during the year (2011: Nil).

## 9 (Loss)/earnings per share

### (a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
(Loss)/profit attributable to the equity holders of the Company	HK\$(9,002,422)	HK\$18,022,740
Weighted average number of ordinary shares in issue	<u>538,278,689</u>	<u>385,000,000</u>
Basic (loss)/earnings per share ( <i>Hong Kong cents</i> )	<u>(1.67)</u>	<u>4.68</u>

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 March 2011 includes the issued share capital of the Company of 385,000,000 shares, comprising:

- (i) the 1 share of the Company allotted, issued and fully paid on 25 June 2010;
- (ii) the 384,999,999 shares issued for share swap pursuant to the reorganisation and capitalisation of the Company on 27 April 2011 and 18 May 2011, respectively;

And assuming the 385,000,000 shares of the Company were in issue on 1 April 2010.

The weighted average number of shares used to calculate the basic loss per share for the year ended 31 March 2012 includes 165,000,000 issued upon the listing on the Stock Exchange on 18 May 2011, in addition to the aforementioned 385,000,000 ordinary shares of the Company which were assumed to be in issue on 1 April 2010.

**(b) Diluted**

No diluted (loss)/earnings per share is presented as the Company did not have any potential dilutive ordinary shares outstanding during the year (2011: Nil).

**10 Trade and other receivables**

	<b>2012</b>	2011
	<b>HK\$</b>	<b>HK\$</b>
Trade receivables		
– third parties	<b>52,924,271</b>	34,168,988
Prepayments, deposits and other receivables	<b>3,873,018</b>	8,242,363
	<b>56,797,289</b>	42,411,351
<i>Less: Non-current portion</i>	<b>(650,000)</b>	–
	<b>56,147,289</b>	42,411,351

The majority of the Group's sales are on credit terms after the end of the month up to 120 days. As at 31 March 2012, trade receivables of approximately HK\$13,278,000 (2011: HK\$12,994,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	<b>2012</b>	2011
	<b>HK\$</b>	<b>HK\$</b>
Neither past due nor impaired	<b>39,645,776</b>	21,174,650
0 – 30 days past due	<b>11,046,231</b>	10,430,955
31 – 60 days past due	<b>1,673,071</b>	2,534,263
61 – 90 days past due	<b>35,856</b>	9,600
91 – 120 days past due	<b>523,337</b>	19,520
Past due but not impaired	<b>13,278,495</b>	12,994,338
	<b>52,924,271</b>	34,168,988

## 11 Share capital

	Number of shares	Amount HK\$
<i>Authorised:</i>		
Ordinary shares of HK\$0.001 each		
At 25 June 2010 (date of incorporation)	380,000,000	380,000
At 31 March 2011 and 1 April 2011	<b>380,000,000</b>	<b>380,000</b>
Increase of authorised shares ( <i>Note b</i> )	<b>620,000,000</b>	<b>620,000</b>
At 31 March 2012	<b>1,000,000,000</b>	<b>1,000,000</b>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.001 each		
At 25 June 2010 (date of incorporation)	1	1
At 31 March 2011 and 1 April 2011	1	1
Issue of new shares ( <i>Note a</i> )	<b>34,999,999</b>	<b>34,999</b>
Capitalisation issue ( <i>Note c</i> )	<b>350,000,000</b>	<b>350,000</b>
Issue of shares by way of placing ( <i>Note d</i> )	<b>165,000,000</b>	<b>165,000</b>
At 31 March 2012	<b>550,000,000</b>	<b>550,000</b>

### Notes:

- (a) On 27 April 2011, the shareholder of the Company, Mr. Yeung Tin Hung sold the aggregated 3 existing shares of Able One Investments Limited of US\$1 each, to the Company. The consideration was satisfied by allotment and issue of 34,999,999 shares of HK\$0.001 each in the capital of the Company to Fairson Holdings (BVI) Limited, credited as fully paid as directed by Mr. Yeung Tin Hung.
- (b) On 18 May 2011, the authorised share capital of the Company was increased from HK\$380,000 to HK\$1,000,000 by the creation of an additional 620,000,000 shares of HK\$0.001 each.
- (c) As a result of the placing on 18 May 2011, the sum of 350,000,000 shares of HK\$0.001 each had been capitalised.
- (d) On 18 May 2011, the Company completed its placing of 165,000,000 shares, which were listed on GEM on the same date. The shares were issued at a price of HK\$0.30 per share for a total cash consideration of approximately HK\$47.8 million, net of issuance expenses of approximately HK\$18.2 million.

## 12 Trade and other payables

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Trade payables	22,744,199	27,360,689
Other payables	8,955,483	3,326,866
Deposit received	813,737	48,475
Accruals	7,223,179	2,802,366
	<u>39,736,598</u>	<u>33,538,396</u>

The aging analysis of trade payables based on the due date were as follows:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Current	16,500,860	21,758,531
0 – 30 days	6,122,196	1,762,460
31 – 60 days	84,859	924,203
61 – 90 days	30,204	2,042,759
91 – 180 days	6,080	872,736
	<u>22,744,199</u>	<u>27,360,689</u>

## 13 Commitments

### (a) Capital commitments

Capital expenditure contracted for but not yet incurred is as follows:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Property, plant and equipment	<u>380,000</u>	<u>280,000</u>

### (b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases in respect of the factories in the PRC are payable as follows:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
No later than 1 year	4,127,073	1,935,710
Later than 1 year and no later than 5 years	9,586,556	4,856,288
Over 5 years	344,400	–
	<u>14,058,029</u>	<u>6,791,998</u>

## **FINANCIAL REVIEW**

### **Group results**

For the Financial Year, the turnover of the Group was approximately HK\$175.5 million, representing an increase of approximately 9.6% from approximately HK\$160.2 million of the Previous Financial Year. The increase in the turnover was mainly due to increase in the segment revenue of copper wires. For the Financial Year, the loss of the Group attributable to equity holders of the Company was approximately HK\$9 million, representing a significant decrease compared to the profit for the Previous Financial Year of approximately HK\$18 million. This significant decrease was mainly due to (i) the operating loss in the manufacturing and sale of copper wires which have yet to achieve economies of scale; (ii) the absence of a one-off fair value gain (which was partially offset by a goodwill impairment) recorded in the Previous Financial Year; (iii) the absence of management service fee income recorded in the Previous Financial Year; (iv) the decrease in the gross profit margin as a result of the increasing market competition under the global economic downturn; (v) the impairment of goodwill due to the drop of turnover for raw cables and its related power and data cords for mobile handsets under the global economic downturn and fierce competition; (vi) the provision of aged inventories and (vii) the increased staff costs in relation to part of the increasing minimum wage level of the staff in the PRC.

The Board does not recommend the payment of the final dividend for the Financial Year.

## **BUSINESS REVIEW**

The Group is principally engaged in the manufacturing and sale of power and data cords. Its key product groups are (i) power cords and inlet sockets for household electric appliances; (ii) power and data cords for mobile handsets and medical control devices; (iii) raw cables; and (iv) copper wires.

Revenue in power cords and inlet sockets for household electric appliances, power and data cords for mobile handsets and medical control devices, raw cables and copper wires accounted for approximately 26.7%, 48.6%, 2.7% and 21.8% (2011: approximately 26.2%, 65.7%, 7.1% and 0%) of the total revenue of the Group, respectively, in the Financial Year.

Revenue arising from Hong Kong and the PRC markets continued to be the key contributors for the Group, representing approximately 88.1% (2011: approximately 76.5%), of the total revenue of the Group for the Financial Year. The remaining revenue of approximately 11.9% (2011: approximately 23.5%) for the Financial Year were generated from other overseas markets, including Taiwan, Brazil and the United States.

With over 20 years of experience, the Group is currently engaged in the manufacturing and sale of over 850 types of power and data cord products. The Group is also involved in the manufacturing and sale of raw cables without connector plugs for mobile handsets and the assembly and sale of medical control devices, which are used primarily by patients in hospital wards and the related accessories.



## **Power cords and inlet sockets for household electric appliances**

For the Financial Year, revenue from power cords and inlet sockets for household electric appliances was approximately HK\$46.8 million (2011: approximately HK\$42.0 million), representing an increase of approximately 11.4% from the Previous Financial Year. Revenue from this product segment accounted for approximately 26.7% (2011: approximately 26.2%) of the total revenue of the Group.

The Group's power cords and inlet sockets used in household electric appliances have received safety approvals and/or certificates in many countries, part of these products have also received eleven types of international safety standards. The Group believes that the high standard of these products can fulfill the expectations and requirements of customers and benefit the Group's business expansion.

## **Power and data cords for mobile handsets and medical control devices**

For the Financial Year, the revenue from power and data cords for mobile handsets was approximately HK\$65.5 million (2011: approximately HK\$86.8 million), representing a decrease of approximately 24.5% from the Previous Financial Year. Revenue from this product segment accounted for approximately 37.3% (2011: approximately 54.2%) of the total revenue of the Group.

The power and data cords for mobile handsets are generally used for power charging and data transfer, and are essential accessories for all mobile handsets. The surging and advanced demand for telecommunications devices facilitated the Group to produce different specifications of mobile handset power and data cord products with micro-A and micro-B USB connectors, which facilitate higher data transmission speed and audiovisual output quality. All devices conform to the standard of mobile handset design set by the Ministry of Industry and Information Technology of the PRC.

For the Financial Year, revenue from power and data cords for medical control devices was approximately HK\$19.8 million (2011: approximately HK\$18.5 million), representing an increase of approximately 7.0% from the Previous Financial Year. Revenue from this product segment accounted for approximately 11.3% (2011: approximately 11.5%) of the total revenue of the Group.

The medical control devices are multi-functional products which are mainly exported to a customer in the United States. The devices are then used for further assembling and processing into final products (which include of pillow speakers, bed controls, bed cables and call cords to be sold to hospitals and clinics).

## **Raw cables**

For the Financial Year, the revenue from raw cables was approximately HK\$4.7 million (2011: approximately HK\$11.3 million), representing a decrease of approximately 58.4% from the Previous Financial Year. Revenue from this product segment accounted for approximately 2.7% (2011: approximately 7.1%) of the total revenue of the Group. The decrease in revenue from raw cables was mainly due to the Group's change of strategy to concentrate on integrated products with connectors rather than 2-pin raw cables. The Group is also engaged in the manufacturing of raw cables using halogen-free insulation materials as they are more environmentally friendly and are able to adapt to the changing needs and requirements of the market.

## **Copper wires**

For the Financial Year, the revenue from copper wires was approximately HK\$38.3 million and accounted for approximately 21.8% of the total revenue of the Group. Copper rods are purchased and processed to copper wires for sale. In addition, the Group subcontracted for customers to add a tin coating on the copper wires upon their requests.

On 9 June 2011, the Group entered into a capital injection agreement with Mr. Chen Wei Chuan, an independent third party, to establish an indirect subsidiary in Hong Kong and subsequently set up a wholly-owned subsidiary in the PRC (collectively referred to as the "Zing Fair Group"), which is principally engaged in the manufacturing and sale of copper wires, at the total investment cost of HK\$8 million. The copper wire business of the Group is still in its development stage, and the Group targets to improve the financial performance of the copper wire business by strengthening its production technique and restructuring its operation and marketing strategy which in turn will improve its production efficiency, cashflow burden for purchase of copper wires, lower its operating cost and improve its profitability.

## **Outlook**

The Group believes that the telecommunications industry in the PRC will expand and flourish in the coming years and will continue to concentrate its efforts to grasp such enormous opportunities. Taking into account the geographical advantage, the Group will focus on the business in the PRC market. The Group intends to expand its sales capability in power and data cords for mobile handset products and the new micro-USB and mini-HDMI power and data cord products in the PRC market, the largest market of mobile handset users in the world.

As a well recognized international mobile handset supplier and a quality manufacturer of power and data cords in the industry, the Group will continue to uphold its competitive edge by allocating more resources on certain development projects. Those projects mainly focus on enhancing the data transmission speed and audiovisual output quality in power and data cords for mobile handsets. The Group believes that the advanced technology can help broaden its product portfolio and enhance its competitiveness in the industry.

Looking ahead, the Group will strengthen its market position by continuing to devote itself to the development, manufacturing and sale of new products to meet market demands. The Group will continue to steadily consolidate and increase its market position in respect of telecommunication products. The Group will further intensify its marketing strategies, aiming to consolidate its current customers and to attract other renowned mobile handset providers. Besides, the Group also plans to participate in different audiovisual and electronic products exhibitions and trade fairs to explore more business opportunities and facilitate further development of the Group's micro-USB and mini-HDMI power and data cords business. The Group believes that such expansion in clientele and marketing network would help maximize the profitability of the Group.

### Use of Proceeds

The net proceeds from the issue of new shares of the Company at the time of its listing on the GEM on 18 May 2011 through a placement of 165,000,000 ordinary shares of HK\$0.001 each in the share capital of the Company at the price of HK\$0.30 per share, after deduction of the related underwriting fees and issuance expenses paid by the Company in connection thereto, were approximately HK\$29.6 million (the "IPO proceeds"). Details of the utilization of the IPO proceeds versus that envisaged in the prospectus are as follows:–

	<b>Proposed total use of proceeds as stated in the prospectus HK\$'000</b>	<b>Proposed use of proceeds up to 31 March 2012 HK\$'000</b>	<b>Actual use of proceeds up to 31 March 2012 HK\$'000</b>
Construction of new production plant and enhancement of production utilization ( <i>Note</i> )	23,000	7,000	–
Product development	3,000	3,000	3,000
Expansion of market coverage	2,000	1,500	871
Subtotal	28,000	11,500	3,871
Working capital ( <i>Note</i> )	1,600	17,600	8,400
Total	<u>29,600</u>	<u>29,100</u>	<u>12,271</u>

*Note:* In order to increase the Group's financial flexibility and to better utilize the financial resources of the Group in preparation for the uncertain financial and economic environment, the Group announced on 8 November 2011 to adjust the proposed use of net proceeds from the placing of shares of the Company, as set out in the prospectus of the Company dated 6 May 2011, of approximately HK\$23.0 million for the acquisition of land and the construction of new production plant and enhancement of production utilization of approximately HK\$7.0 million. The Group would construct its own production plant in other locations with lower costs than in Guangdong province and has conducted preliminary assessments in Jiangxi and Hunan provinces of the PRC, to identify suitable land for the construction of such plant. The Group expects the new production plant will enable a stable manufacturing and enhance overall cost effectiveness and production efficiency. Meanwhile, aiming at better coping with the uncertain global economy, the remaining balance of approximately HK\$16.0 million will be retained as working capital of the Group and for expansion of domestic sales channel in the PRC and enhancement of production facilities.

### **Annual general meeting**

The Annual General Meeting of the Company ("2012 Annual General Meeting") will be held on Tuesday, 31 July 2012.

### **Closure of register of members**

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2012 Annual General Meeting, the register of members of the Company will be closed from Thursday, 26 July 2012 to Tuesday, 31 July 2012, both days inclusive, during which no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Agent in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Wednesday, 25 July 2012.

### **Employees' remuneration policy**

As at 31 March 2012, the Group employed 941 (2011: 600) full time management, administrative, production and development employees mainly in the PRC and Hong Kong. The Group's remuneration policy is reviewed periodically and determined with reference to market terms, the Group's performance, and an individuals' qualifications and performance. Employee benefits include medical schemes, mandatory provident fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC. The Group also provide training programs for our employees to equip them with the requisite skills and knowledge and offer a share option scheme to recognise the employees who make significant contributions.

Total staff costs including Directors' remuneration for the Financial Year amounted to approximately HK\$31.7 million (2011: approximately HK\$22.8 million).

## **Liquidity, financial resources and capital structure**

At at 31 March 2012, the indebtedness of the Group was approximately HK\$26.1 million (2011: approximately HK\$15.3 million). The Group had bank and cash balances of approximately HK\$19.9 million (2011: approximately HK\$6.5 million).

At at 31 March 2012, the Group's trade receivables balance was approximately HK\$52.9 million (2011: approximately HK\$34.2 million), representing approximately 30.1% (2011: approximately 21.3%) of the turnover of approximately HK\$175.5 million (2011: approximately HK\$160.2 million) for the Financial Year. The Group adopted a stringent credit policy to minimize credit risk.

As at 31 March 2012, the ratio of current assets to current liabilities of the Group was 1.34 (2011: 1.29), and the gearing ratio of the Group was 8.7% (2011: 17.2%). Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'Equity' as shown in the consolidated statement of financial position plus net debt.

Details of the capital structure of the Company are set out in note 11 to the financial information.

## **SIGNIFICANT INVESTMENTS**

On 9 June 2011, the Group entered into a capital injection agreement with Mr. Chen Wei Chuan, an independent third party, to establish Zing Fair Group, which is principally engaged in the manufacturing and sale of copper wires, at the total investment cost of HK\$8 million. The Group hold 70% equity interest of Zing Fair Group.

On 11 August 2011, the Group entered into a conditional sale and purchase agreement with an independent third party to acquire a 19.5% equity interest of MEMS Solutions Pte. Ltd. ("MEMS SG"), a private entity incorporated in Singapore, which is engaged in the design and manufacturing of automated systems and equipment, at a consideration of SG\$540,000 (equivalent to approximately HK\$3,367,000). The transaction was completed on 31 October 2011. The Group also has the option to further acquire a 40.5% equity interest of MEMS SG, which is exercisable on or before 30 June 2014, at a consideration of SG\$1,120,000 (equivalent to approximately HK\$6,984,000).

Save as disclosed above, the Group had no other significant investments, nor has it made any material acquisition or disposal of the Group's subsidiaries or affiliated companies during the Financial Year.

## **EXPOSURE TO FOREIGN EXCHANGE RISK**

The Group operates mainly in Hong Kong and the PRC and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the Renminbi (“RMB”) and United States dollar (“US\$”). In respect of managing the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group entered into foreign exchange forward contracts with external financial institutions to mitigate such foreign exchange risks. The Group also mitigates these risks, by maintaining HK\$, US\$ and RMB bank accounts to pay for the transactions denominated in these currencies.

## **PLEDGE OF ASSETS**

As at 31 March 2012, the Group’s following assets are pledged to secure its bank borrowings:

- (a) The Group’s leasehold land and buildings with an aggregate net book value of approximately HK\$6,199,000 (2011: HK\$4,645,000);
- (b) Pledge of the Group’s bank deposits with an aggregate carrying value of approximately HK\$5,510,000 (2011: HK\$2,524,000); and
- (c) Corporate guarantees provided by the Company and its subsidiaries.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the Financial Year.

Neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercised any conversion or subscription rights under any convertible securities, options, warrants or similar rights during the Financial Year.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Code on Corporate Governance Practices in Appendix 15 to the GEM Listing Rules (the "CG Code").

Throughout the period from the date of listing of the Shares on the GEM of the Stock Exchange on 18 May 2011 (the "Listing Date") to the Financial Year, the Company had complied with the code provisions in the CG Code with the exception of the CG Code provision A.2.1. Details of such deviation will be explained below.

The CG Code provision A.2.1 stipulates that the roles of the chairman of the Board (the "Chairman") and the chief executive officer (the "CEO") should be separate and should not be performed by the same individual. Mr. Yeung Tin Hung was the Chairman and the CEO during the Financial Year, responsible for the management of the Board and the operation of the Group. The Board considered that Mr. Yeung Tin Hung has thorough understanding and expertise regarding the business operations of the Group and thus enabling him to make appropriate decisions on a timely manner which are in the interests of the shareholders of the Company as a whole. Considering the present size of the Company and the scope of business of the Group, there is no imminent need to separate the roles of the Chairman and the CEO. However, the Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of the Chairman and the CEO is necessary.

## **AUDIT COMMITTEE**

The Audit Committee comprises Mr. Li Hin Lung, Mr. Chan Kai Wo and Mr. Chua Hoon Chong, all of whom are independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance Practices. The results of the Group for the year ended 31 March 2012 have been reviewed by the audit committee members who have provided advice and comments thereon.

## **PRELIMINARY ANNOUNCEMENT OF THE RESULTS**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2012 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the Financial Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **APPRECIATION**

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, shareholders, staff and management for their continuous dedication, commitment and support.

By Order of the Board  
**Fairson Holdings Limited**  
**Yeung Tin Hung**  
*Chairman*

Hong Kong, 25 June 2012

*As at the date of this announcement, the executive Directors are Mr. Yeung Tin Hung, Mr. Yeung Shing Wai, Mr. Chen Tian Gang and Mr. Zhou Yu Hui, the non-executive Director is Mr. Wong Chi Yung and the independent non-executive Directors are Mr. Li Hin Lung, Mr. Chan Kai Wo and Mr. Chua Hoon Chong.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the websites of the Company at <http://www.sunfairw.com.hk> and <http://www.irasia.com/listco/hk/fairson>.*