

Half-year Report

2011

Fairson Holdings Limited
鈺皓控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8132

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This Report, for which the directors (the “Directors”, each a “Director”) of Fairson Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Report misleading.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2011, the Group recorded a total revenue of approximately HKD71,220,000 (2010: approximately HKD80,252,000), representing a decrease of approximately 11% in the corresponding period of 2010 which was mainly due to reducing market demand and increasing market competition. Profit attributable to shareholders of the Group for the six months ended 30 September 2011 decreased by approximately 77% to approximately HKD2,244,000 (2010: approximately HKD10,068,000) which was mainly due to (i) the absence of a fair value gain of approximately HKD5,521,000 (which was partially offset by a goodwill impairment of approximately HKD3,243,500) recorded in the six months ended 30 September 2010 as a result of the previously held interest in Sun Fair Electric Wire & Cable Industrial Co., Limited ("SunFair Industrial"); (ii) the absence of management service fee income from SunFair Industrial, which became a member of the Group in May 2010, recorded in the corresponding period last year; (iii) increasing market competition; and (iv) the increased administrative expenses, including staff costs, professional fee and other administrative expenses, in relation to the listing of the shares of the Company. Basic earnings per share for the six months ended 30 September 2011 were approximately HKD0.4 cents (2010: approximately HKD2.6 cents). The board of Directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30 September 2011.

During the six months ended 30 September 2011, the Group's revenue of its key product groups, including (i) power cords and inlet sockets for household electric appliances; (ii) power and data cords for mobile handsets and medical control devices; and (iii) raw cables, contributed approximately 35%, 61% and 3% to the Group's total revenue respectively (2010: approximately 29%, 61% and 8% respectively). Revenue arising from Hong Kong and the People's Republic of China (the "PRC") markets continued to be the key contributors to the Group, taking up approximately 81% (2010: approximately 72%) of the Group's total revenue for the six months ended 30 September 2011. The remaining of revenue of approximately 19% (2010: approximately 28%) for the six months ended 30 September 2011 were generated from overseas markets, including Taiwan, Brazil and the United States.

Products

Power cords and inlet sockets for household electric appliances

During the six months ended 30 September 2011, the Group's revenue from power cords and inlet sockets for household electric appliances was approximately HKD24,996,000 (2010: approximately HKD23,600,000), an increase of approximately 6% from the same period of last year, which accounted for approximately 35% (2010: approximately 29%) of the Group's total revenue. The Group's power cords and inlet sockets used in household electric appliances have received safety approvals and/or certificates in many countries. The Group believes that the high standard of the products can meet the expectation from customers and benefit the Group's business expansion.

Power and data cords for mobile handsets and medical control devices

During the six months ended 30 September 2011, the Group's revenue from power and data cords for mobile handsets was approximately HKD32,867,000 (2010: approximately HKD41,137,000), a decrease of approximately 20% from the same period of last year, which accounted for approximately 46% (2010: approximately 51%) of the Group's total revenue.

The power and data cords for mobile handsets are generally used for power charging and data transfer. As essential accessories for all mobile handsets, the surging and advanced demand for telecommunications devices facilitated the Group to produce different specifications of mobile handsets 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 are conformed to the standard of mobile handset design set by Ministry of Industry and Information Technology of the PRC.

During the six months ended 30 September 2011, revenue of the Group's medical control devices accounted for approximately 15% (2010: approximately 10%) of the Group's total revenue, amounting to approximately HKD10,801,000 (2010: approximately HKD8,061,000), representing an increase of approximately 34% as compared to the same period of last year.

The medical control devices are multi-functional products which are exported to a customer in the United States. The devices are then used for further assembling and processing into final products which consist of pillow speakers, bed controls, bed cables and call cords to be sold to hospitals and clinics. All final products have passed the relevant United States regulatory requirements to ensure safety and security of the products.

Raw Cables

During the six months ended 30 September 2011, revenue from raw cables accounted for approximately 3% (2010: approximately 8%) of the total revenue amounted to approximately HKD2,478,000 (2010: approximately HKD6,299,000), representing a decrease of approximately 61% compared to the same period of last year due to the Group's strategy to concentrate on selling integrated products with connectors rather than selling 2-pin raw cables. The main raw cables produced by the Group are 2-pin power and data cords without connector plugs, which are used as power charging to mobile handsets. The Group also manufactures raw cables using halogen-free and insulation materials as there are more environmental friendly that meet the changing needs and requirement of the market.

OUTLOOK

The listing of the shares of the Company on the GEM of the Stock Exchange on 18 May 2011 gives a precious opportunity to the Group to raise sufficient capital for its further business expansion.

The Group will continue to concentrate its efforts to grasp the enormous opportunities brought by the thriving telecommunications industry in the PRC. Taking into account of the geographical advantages of the Group, it will focus on the business on 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 providers and a quality manufacturer of power and data cords in the industry, the Group plans to allocate more resources on certain development projects to maintain its competitive edges. 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 broadening its product portfolio and enhancing its competitiveness in the industry.

On 8 July 2011, Brave Champ Holdings Limited, the Company's indirectly wholly-owned subsidiary entered into a capital injection agreement with the minority shareholder of the Company's subsidiary, Zing Fair Electrical Supplies Limited ("Zing Fair"). Pursuant to the capital injection agreement, an aggregate of HKD8.0 million was contributed to Zing Fair for setting up a wholly-owned subsidiary of Zing Fair in the PRC, which will be engaged in the manufacturing and sales of copper wires and related machineries. The business of the new subsidiary is expected to complement the existing business of the Group by securing a stable supply of copper wires to the Group, which is one of the principal materials of its existing business.

Looking ahead, the Group will strengthen its market position by continuing to devote itself to the development, manufacture and sale of new products. The Group will continue to steadily consolidate and increase its market position in respect of telecommunication products. The Group will 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 cope with the further development of micro-USB and mini-HDMI power and data cords. The Group believes that such expansion in clientele and marketing network would help maximizing the profitability of the Group.

Employees' remuneration policy

As at 30 September 2011, the Group employed approximately 570 full time management, administrative and production staff mainly in the PRC and Hong Kong. Total staff costs (including remuneration of the Directors) for the six months ended 30 September 2011 amounted to approximately HKD12.2 million (2010: approximately HKD10.6 million), representing an increase of approximately 15.1% for the six months ended 30 September 2010. The increase was mainly due to the increase in the number of administrative staff and directors and increase in average wages.

The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, mandatory provident fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC. We also provide training programs for our employees to equip themselves with the requisite skills and knowledge and offer a share option scheme to recognise employees who make significant contributions.

Liquidity, financial resources, capital structure and gearing ratio

At the end of September 2011, the consolidated indebtedness of the Group was approximately HKD20,497,000 (31 March 2011: approximately HKD15,305,000). The borrowings are denominated in Hong Kong dollars. The bank balances and cash amounted to approximately HKD32,120,000 (31 March 2011: approximately HKD6,507,000).

As at 30 September 2011, the Group had a net cash position while the gearing ratio of the Group was 17.2% as at 31 March 2011. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

At the end of September 2011, the Group had capital commitment of approximately HKD534,000 representing capital expenditure in respect of acquisition of property, plant and equipment.

The interest coverage for the six months ended 30 September 2011 was 11.9 times as compared to 26.2 times for the six months ended 30 September 2010.

Exposure to foreign exchange risk

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group enters into foreign exchange forward contracts with external financial institutions to mitigate such foreign exchange risk. The Group also mitigates this risk by maintaining Hong Kong dollar, United States dollar and Renminbi bank accounts to pay for the transactions denominated in these currencies.

As at 30 September 2011, if Hong Kong dollar had strengthened/weakened by 3.5% against Renminbi, with all other variables held constant, the Group's profit after income tax for the six months ended 30 September 2011 would have been increased/decreased by approximately HKD310,000, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated monetary assets and liabilities.

Pledge of assets

As of 30 September 2011, the Group's following assets are pledged to secure its bank borrowings:

- a) The Group's buildings and leasehold land with an aggregate net book value of HKD6,286,174;
- b) The Group's financial assets at fair value through profit or loss with an aggregate fair value of HKD1,042,285; and
- c) Pledge of the Group's bank deposits with an aggregate net book value of HKD4,524,650.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 30 September 2011 and 31 March 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2011

	Note	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		2011	2010	2011	2010
		HKD	HKD	HKD	HKD
Revenue	2	37,949,594	40,826,687	71,220,176	80,252,126
Cost of sales		(30,552,839)	(31,290,445)	(58,725,981)	(64,725,703)
Gross profit		7,396,755	9,536,242	12,494,195	15,526,423
Other (losses)/gains-net	3	(439,276)	(6,250)	(635,912)	6,129,801
Selling expenses		(1,014,865)	(1,647,116)	(2,247,905)	(2,490,669)
Administrative expenses		(3,294,944)	(1,245,778)	(6,387,213)	(7,604,290)
Operating profit		2,647,670	6,637,098	3,223,165	11,561,265
Finance income		2,685	10,438	4,107	20,724
Finance costs		(124,335)	(184,085)	(271,244)	(441,562)
Share of profit of a jointly controlled entity		-	-	-	46,493
Profit before income tax		2,526,020	6,463,451	2,956,028	11,186,920
Income tax expense	4	(666,506)	(800,671)	(752,508)	(1,118,681)
Profit and total comprehensive income for the period	5	1,859,514	5,662,780	2,203,520	10,068,239
Profit and total comprehensive income attributable to Owners of the Company		1,892,873	5,662,780	2,244,255	10,068,239
Non-controlling interests		(33,359)	-	(40,735)	-
		1,859,514	5,662,780	2,203,520	10,068,239
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6	0.3 cents	1.5 cents	0.4 cents	2.6 cents
Dividend		-	10,000,000	-	10,000,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	Note	(Unaudited) 30 September 2011 HKD	(Audited) 31 March 2011 HKD
ASSETS			
Non-current assets			
Property, plant and equipment	7	19,378,413	16,708,778
Goodwill		11,041,467	11,041,467
Other non-current asset		1,643,845	–
		32,063,725	27,750,245
Current assets			
Inventories		22,617,574	17,662,321
Trade and other receivables	8	38,275,440	42,411,351
Amount due from a related company		–	7,128
Amounts due from directors		393,008	242,900
Financial assets at fair value through profit or loss		1,042,285	1,016,838
Pledged deposits		4,524,650	2,523,824
Cash and cash equivalents		32,119,937	6,507,341
		98,972,894	70,371,703
Total assets		131,036,619	98,121,948
EQUITY			
Share capital/issued equity	10	550,000	3,000,000
Reserves		74,242,064	39,497,396
Capital and reserves attributable to the equity holder of the Company		74,792,064	42,497,396
Non-controlling interest		(36,705)	–
Total equity		74,755,359	42,497,396

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2011

	Note	(Unaudited) 30 September 2011 HKD	(Audited) 31 March 2011 HKD
LIABILITIES			
Non-current liabilities			
Borrowings		36,761	145,031
Deferred income tax liabilities		830,421	873,585
		867,182	1,018,616
Current liabilities			
Trade and other payables	9	28,584,542	33,538,396
Income tax payable		6,369,136	5,907,802
Borrowings		20,460,400	15,159,738
		55,414,078	54,605,936
Total liabilities		56,281,260	55,624,552
Total equity and liabilities		131,036,619	98,121,948
Net current assets		43,558,816	15,765,767
Total assets less current liabilities		75,622,541	43,516,012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	(Unaudited)						Non-controlling interest HKD	Total HKD
	Share capital/ issued equity HKD	Share premium HKD	Other reserve HKD	Statutory reserve HKD	Retained earning HKD	Subtotal HKD		
Balance at 1 April 2011	3,000,000	-	-	2,181,559	37,315,837	42,497,396	-	42,497,396
Profit and total comprehensive income for the period	-	-	-	-	2,244,255	2,244,255	(40,735)	2,203,520
Reorganisation	(2,615,000)	(350,000)	2,965,008	-	-	8	-	8
Issue of shares	165,000	29,885,405	-	-	-	30,050,405	-	30,050,405
Capital contribution from a non-controlling shareholders of a subsidiary	-	-	-	-	-	-	4,030	4,030
Transfer to statutory reserve	-	-	-	108,446	(108,446)	-	-	-
Balance at 30 September 2011	550,000	29,535,405	2,965,008	2,290,005	39,451,646	74,792,064	(36,705)	74,755,359
Balance at 1 April 2010	3,000,000	-	-	1,351,983	30,122,673	34,474,656	-	34,474,656
Profit and total comprehensive income for the period	-	-	-	-	10,068,239	10,068,239	-	10,068,239
Dividend	-	-	-	-	(10,000,000)	(10,000,000)	-	(10,000,000)
Transfer to statutory reserve	-	-	-	476,905	(476,905)	-	-	-
Balance at 30 September 2010	3,000,000	-	-	1,828,888	29,714,007	34,542,895	-	34,542,895

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

		(Unaudited)	
		Six months ended	
		30 September	
	Note	2011	2010
		HKD	HKD
Net cash (used in) from operating activities		(12,133,654)	20,922,616
Net cash used in investing activities		(6,061,142)	(7,274,308)
Net cash from (used in) financing activities		43,807,392	(16,363,841)
Net increase (decrease) in cash and cash equivalents		25,612,596	(2,715,533)
Cash and cash equivalents at 1 April		6,507,341	12,116,666
Cash and cash equivalents at 30 September		32,119,937	9,401,133

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The principal accounting policies used in the interim financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2011. The financial statements are unaudited but have been reviewed by the Audit Committee.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 April 2011, the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

2 SEGMENT INFORMATION

The reportable operating segments derive their revenue primarily from the manufacture and sales 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

The sales from trading of plant and equipment and other cables are not included in the reportable operating segments. The turnover and results of these operations are included in the "all other segments" column.

The segment information for the reportable segments for the six months ended 30 September 2010 and 2011 is as follows:

	Power cords and inlet sockets for household electric appliances HKD	Power and data cords for mobile handsets and medical control devices HKD	Raw cables HKD	All other segments HKD	Total HKD
For the six months ended 30 September 2011					
Segment revenue	24,995,862	43,667,856	11,185,985	78,006	79,927,709
Inter-segment revenue	-	-	(8,707,533)	-	(8,707,533)
Revenue (from external customers)	24,995,862	43,667,856	2,478,452	78,006	71,220,176
Segment results	4,240,688	7,626,430	624,794	2,283	12,494,195
For the six months ended 30 September 2010					
Segment revenue	23,599,957	49,197,591	11,965,397	1,155,453	85,918,398
Inter-segment revenue	-	-	(5,666,272)	-	(5,666,272)
Revenue (from external customers)	23,599,957	49,197,591	6,299,125	1,155,453	80,252,126
Segment results	4,853,322	9,156,449	1,136,868	379,784	15,526,423

3 OTHER (LOSSES)/GAINS-NET

	Six months ended 30 September	
	2011	2010
	HKD	HKD
Foreign exchange loss, net	(722,856)	(111,749)
Fair value gain on previously held interest in a jointly controlled entity (note)	–	5,520,734
Fair value gain on financial assets at fair value through profit or loss	25,448	46,718
Management service fee income from a related party (note 12)	–	612,462
Sundry income	61,496	61,636
	(635,912)	6,129,801

Note: On 31 March 2010, the Group acquired 50% interests in SunFair Industrial from the Mr. Yeung Tin Hung at a consideration of HKD1,189,273. On 31 May 2010, the Group further acquired the remaining 50% interests in SunFair Industrial from Mr. Li Shi Bin, a senior executive at a consideration of HKD10,000,000 (the "Acquisition"), and SunFair Industrial has since then become a wholly-owned subsidiary of the Group. The Group recognised a gain of HKD5,520,734 as a result of re-measuring its 50% equity interest in SunFair Industrial previously held before the Acquisition at fair value.

4 INCOME TAX EXPENSES

	Six months ended 30 September	
	2011	2010
	HKD	HKD
Current income tax		
– Hong Kong profits tax	417,616	603,032
– PRC corporate income tax	378,056	435,150
Deferred income tax	(43,164)	80,499
	752,508	1,118,681

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period (2010:16.5%).

Sun Fair Electric Wire & Cable (Shenzhen) Company Limited, a subsidiary operating in the PRC, was eligible to a 50% reduction in corporate income tax rate during the year ended 31 March 2010 and the nine months ended 31 December 2010. The PRC corporate income tax is provided at the rate of 11% and 12% for the year ended 31 March 2010 and the nine months ended 31 December 2010 respectively. The PRC tax benefit has been expired on 31 December 2010 and the PRC corporate income tax is provided at 24% since 1 January 2011.

5 PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2011	2010
	HKD	HKD
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	2,373,987	1,929,100
Impairment of goodwill (note)	3,243,500	–

Note: During the six months ended 30 September 2010, the carrying amount of the goodwill has been reduced to its recoverable amount through recognition of an impairment loss against goodwill of HKD3,243,500. This loss has been included in the administrative expenses in the consolidated statement of comprehensive income.

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited profit attributable to the owners of the Company for the three months and six months ended 30 September 2011 of HKD1,892,873 and HKD2,244,255 (three months and six months ended 30 September 2010: HKD5,662,780 and HKD10,068,239) and the weighted average number shares in issue for the three months and six months ended 30 September 2011 of 550,000,000 and 506,721,311 (three months and six months ended 30 September 2010: 385,000,000 and 385,000,000). The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue on 27 April 2011 as disclosed in annual report of the Company dated 24 June 2011, as if the shares of the Company had been in issue throughout both periods. No diluted earnings per share has been presented for the three months and six months ended 30 September 2011 and 30 September 2010 due to the absence of dilutive potential ordinary shares for the three months and six months ended 30 September 2010 and 2011.

7 PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment amounted to HKD5,153,741 (2010: HKD2,804,486).

8 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HKD36,934,875 (as at 31 March 2011: HKD34,168,988).

The majority of the Group's sales are on credit terms up to 90 days. As at of 30 September 2011, trade receivables of HKD9,876,322 (as at 31 March 2011: HKD12,994,338) 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:

	30 September 2011 HKD	31 March 2011 HKD
Neither past due nor impaired	27,058,553	21,174,650
0-30 days past due	6,964,970	10,430,955
31-60 days past due	2,528,696	2,534,263
61-90 days past due	124,477	9,600
91-120 days past due	258,179	19,520
Past due but not impaired	9,876,322	12,994,338
	36,934,875	34,168,988

9 TRADE AND OTHER PAYABLES

	30 September 2011 HKD	31 March 2011 HKD
Trade payables	20,498,821	27,360,689
Other payables	4,679,076	3,326,866
Deposit received	40,300	48,475
Accruals	3,366,345	2,802,366
	28,584,542	33,538,396

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

	30 September 2011 HKD	31 March 2011 HKD
Current	19,683,954	21,758,531
0-30 days	790,630	1,762,460
31-60 days	12,975	924,203
61-90 days	-	2,042,759
91-120 days	-	805,411
121-150 days	11,262	67,325
	20,498,821	27,360,689

10 SHARE CAPITAL/ISSUED EQUITY

	Number of ordinary shares	Nominal value of fully paid ordinary shares HKD
At 1 April 2010 and 31 March 2011 (note 1)	3,000,000	3,000,000
Reorganisation (note 2)	382,000,000	(2,615,000)
Issue of shares (note 3)	165,000,000	165,000
	550,000,000	550,000

Note 1: Sun Fair Electric Wire & Cable (HK) Company Limited ("SunFair HK") has authorised and issued 3,000,000 ordinary shares of HKD1 each at par value as at 31 March 2011 and 30 September 2011.

Note 2: The Company was incorporated on 25 June 2010 with an initial authorised share capital of HKD380,000 divided into 380,000,000 ordinary shares with par value of HKD0.001 each. Pursuant to the written resolutions of the sole shareholder passed on 27 April 2011, the authorised share capital of the Company was increased from HKD380,000 to HKD1,000,000 by the creation of an additional 620,000,000 shares. On the date of incorporation, 1 ordinary share was issued to the Fairson Holdings (BVI) Limited.

10 SHARE CAPITAL/ISSUED EQUITY (CONTINUED)

On 27 April 2011, the Company acquired 3 shares of USD1.00 each in the capital of Able One Investments Limited ("Able One"), representing the entire issued share capital of Able One, from Mr. Yeung Tin Hung. In consideration of such acquisition, the Company issued and allotted 34,999,999 Shares of HKD0.001 each, credited as fully paid, to Fairson Holdings (BVI), as directed by Mr. Yeung Tin Hung.

On 27 April 2011, the Company capitalised an amount of HKD350,000 from the amount standing to the credit of the share premium account of the Company and that the said sum be applied in paying up in full at par 350,000,000 Shares, such shares to be allotted and issued, credited as fully paid at par.

Note 3: On 17 May 2011, the Company issued 165,000,000 new shares at HKD0.3 per share by way of Placing for a total cash consideration before expenses of HKD49,500,000. On 18 May 2011, the Company's shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

11 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011.

During the six months ended 30 September 2010, total dividends of HKD3.33 per share amounting to HKD10,000,000 was proposed and paid to the then shareholders of the members of the Group.

12 RELATED PARTY TRANSACTIONS

Transactions between the companies comprising the Group have been eliminated on combination and are not disclosed. Details of transactions between the Group and other related parties are disclosed below.

	Six months ended	
	30 September	
	2011	2010
	HKD	HKD
Sales of goods to SunFair Industrial (note 1)	-	2,363,845
Management service income from SunFair Industrial	-	612,462
Purchases of goods from SunFair Industrial	-	6,507,116
Recharge of expenses to SunFair Industrial	-	568,967
Acquisition of 50% equity interest in SunFair Industrial from Mr. Li Shi Bin (note 2)	-	10,000,000

Note 1: SunFair Industrial was a jointly controlled entity of the Group during the period from 31 March 2010 and up to 30 May 2010. On 31 May 2010, Mr. Li Shi Bin, disposed of its 50% interests in SunFair Industrial to Capital Convoy. As a result, SunFair Industrial became a wholly-owned subsidiary of the Group. SunFair Industrial reimbursed SunFair SZ all directly incurred utility expenses since its operation.

Note 2: Mr. Li Shi Bin is a senior executive of the Group and has been the shareholder of SunFair Industrial up to 30 May 2010 when he disposed of his 50% interests in SunFair Industrial to Capital Convoy.

13 CAPITAL COMMITMENTS

Capital expenditure contracted for but not yet incurred as at 30 September 2011 and 31 March 2011 were as follows:

	30 September 2011 HKD	31 March 2011 HKD
Property, plant and equipment	533,802	280,000

14 CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 30 September 2011 and 31 March 2011.

DIVIDEND

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

COMPETING INTERESTS

None of the Directors or the management of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competed or might compete with the business of the Group or any other conflict of interests with the Group during the period under review.

INTEREST AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) once the Shares are listed, or which will be required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which, once the Shares are listed, will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors are as follows:

(i) Interest in ordinary shares of HKD0.001 each of the Company

Name of Director	Capacity/Nature of interest	Long/Short position	Number of shares interested	Approximate percentage of shareholding in the Company
Mr. Yeung Tin Hung	Settlor of a discretionary trust (note)	Long position	385,000,000	70%
Mr. Yeung Shing Wai	Beneficiary of a trust (note)	Long position	385,000,000	70%

(ii) **Interest in associated corporation of the Company**

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of securities held	Approximate percentage of shareholding
Mr. Yeung Tin Hung	Race Champion Holdings Limited	Settlor of a discretionary trust (note)	2 shares	100%
Mr. Yeung Shing Wai	Race Champion Holdings Limited	Beneficiary of a trust (note)	2 shares	100%

Note: Fairson Holdings (BVI) Limited is a holding company interested in 70% of the issued share capital of the Company and is an associated corporation of the Company pursuant to the SFO. The entire issued share capital of Fairson Holdings (BVI) Limited is wholly-owned by Race Champion Holdings Limited, which is in turn wholly owned by Equity Trust (Singapore) Ltd., the trustee of The Race Champion Trust. The Race Champion Trust is a discretionary trust set up by Mr. Yeung Tin Hung as settlor and Equity Trust (Singapore) Ltd. as trustee on 28 April 2011. Mr. Yeung Shing Wai is the beneficiary of The Race Champion Trust. Mr. Yeung Tin Hung as settlor of The Race Champion Trust and Mr. Yeung Shing Wai, as beneficiary of The Race Champion Trust, are taken to be interested in the 385,000,000 shares held by Fairson Holdings (BVI) Limited pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 September 2011, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 September 2011, the following persons/companies (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Long/Short position	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
Race Champion Holdings Limited (note)	Long position	Interest in a controlled corporation	385,000,000	70%
Fairson Holdings (BVI) Limited (note)	Long position	Beneficial owner	385,000,000	70%
Equity Trust (Singapore) Ltd (note)	Long position	Trustee	385,000,000	70%
CNI Capital Ltd	Long position	Beneficial owner	54,000,000	9.82%

Note: These shares are registered in the name of and beneficially owned by Fairson Holdings (BVI) Limited. The entire issued share capital of Fairson Holdings (BVI) Limited is wholly-owned by Race Champion Holdings Limited, which is in turn wholly owned by Equity Trust (Singapore) Ltd., the trustee of The Race Champion Trust. The Race Champion Trust is a discretionary trust set up by Mr. Yeung Tin Hung as settlor and Equity Trust (Singapore) Ltd. as trustee on 28 April 2011. Mr. Yeung Shing Wai is the beneficiary of The Race Champion Trust.

SHARE OPTION SCHEME

The Company has a share option scheme ("Scheme") which was adopted pursuant to a resolution of the sole shareholder passed on 27 April 2011 and adopted by a resolution of the Board on 27 April 2011. The purpose of the Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

The Scheme became effective on 27 April 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme, the principal terms of which were summarized in the paragraph headed "Share Option Scheme" in Appendix VI to the Company's prospectus dated 6 May 2011.

No option has been granted under the Scheme as at the date of this Report.

INTERESTS OF OTHER PERSONS

So far as is known to any Director or chief executive of the Company, as at 30 September 2011, no person other than the Directors and substantial shareholders, whose interests are set out above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company at the time of its listing on the GEM 18 May 2011 through a placement of 165,000,000 ordinary shares of HKD0.001 each in the share capital of the Company at the price of HKD0.3 per share, after deduction of the related underwriting fees and related expenses payable by the Company in connection thereto, were approximately HKD29.6 million (the "IPO proceeds"). Details of the utilization of the IPO proceeds versus that envisaged in the prospectus are as follows:

	Proposed total use of proceeds as stated in the prospectus	Proposed use of proceeds up to 30 September 2011	Actual use of proceeds up to 30 September 2011
	HKD'000	HKD'000	HKD'000
Construction of new production plant and enhancement of production utilisation (note)	23,000	21,000	–
Product development	3,000	1,000	990
Expansion of market coverage	2,000	500	424
Subtotal	28,000	22,500	1,414
Working capital	1,600	–	–
Total	29,600	22,500	1,414

Note: In view of the recent high volatilities of the equity market and uncertainties of the global economy, the Board considers that it would be of the interest of the Group to construct its own production plant in other locations with lower costs than in Guangdong province. In order to better utilise the financial resources of the Group in preparation for the uncertain financial and economic environment, the Board considers that it is necessary to adjust the proposed use of net proceeds of approximately HK\$23.0 million for the acquisition of land and the construction of new production plant and enhancement of production utilisation to approximately HK\$7.0 million, while the remaining balance of approximately HK\$16.0 million will be retained as working capital of the Group and for the expansion of the domestic sales channel in the PRC and enhancement of production facilities. The Company has conducted preliminary assessment for locations in Jiangxi and Hunan provinces, at which the price of the land and the relevant construction and operation costs for a new production plant are considered by the Directors to be lower generally. The Directors will identify suitable land for the construction of such plant and may also consider financing the acquisition of land and construction of production facilities in form of bank and other borrowings should such financing be required. In addition, the Company will also closely monitor the status obtaining the valid land use rights certificate or the relevant valid building ownership certificates by the lessor of the current production facilities in Baoan District.

AUDIT COMMITTEE

The Company established an audit committee on 27 April 2011 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Li Hin Lung (the chairman of the audit committee), Mr. Chua Hoon Chong and Mr. Chan Kai Wo. The audit committee has reviewed the half-year results for the six months ended 30 September 2011 and has provided advice and comments thereon.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Quam Capital Limited ("Quam"), the compliance adviser of the Company, neither Quam nor any of its directors, employees or associates (as referred to in Rule 6A.32 of the GEM Listing Rules) had any interests in the securities of the Company, or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company as at 30 September 2011. Pursuant to the compliance advisory agreement dated 6 May 2011 entered into between Quam and the Company, Quam had received and will receive fees for acting as the compliance adviser of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required Standards of Dealings"). The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the Required Standards of Dealings throughout the period from the date of listing of the Company's shares on the GEM of The Stock Exchange on 18 May 2011 (the "Listing Date") to 30 September 2011.

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").

During the six months ended 30 September 2011, the Company has complied with all the code provisions set out in the CG Code, except for the deviation from code provision A.2.1 which states that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Considered reasons for the deviation from code provision A.2.1 were set out in the Corporate Governance Report of the Company's Annual Report for the year ended 31 March 2011 published in June 2011.

On behalf of the Board
Yeung Tin Hung
Chairman

Hong Kong, 8 November 2011

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