

# Fairson Holdings Limited 鈺皓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132

*Third Quarterly*  
*Report 2013*

The background features a dynamic, abstract design. It consists of several thick, flowing ribbons in shades of light blue and red, which appear to be moving and swirling. Overlaid on these ribbons is a complex, golden wireframe mesh that forms a funnel-like or cone-like shape, tapering towards the bottom. The overall aesthetic is modern and professional, typical of a corporate financial report cover.

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*The Report, for which the directors (the “Directors”) 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 the 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 the Report misleading.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

In the third quarter of 2013, the Group continued to execute its growth strategy in order to contain the impact of uncertain global economies. The digital communications industry, however, is still expanding which provides good opportunities for the Group to seize the market. For the nine months ended 31 December 2013 (the "Financial Period"), the turnover of the Company and its subsidiaries (together the "Group") was approximately HK\$107 million representing a decrease of approximately 12% from approximately HK\$122 million for the nine months ended 31 December 2012 (the "Previous Corresponding Period"). The decrease in the turnover was mainly due to the decrease in turnover of data cords for mobile handsets. During the period, the Company has decided to focus on clients with higher profit margins and maintaining low production costs. For the Financial Period, the loss of the Group attributable to owners of the Company was approximately HK\$66 million (2012: the loss of the Group attributable to owners of the Company was approximately HK\$6 million), which was mainly due to (i) the increase of professional fee incurred for potential business opportunities; and (ii) share-based payments incurred due to the grant of share options to Directors, management and consultants of the Group during the nine months ended 31 December 2013.

The board of Directors (the "Board") does not recommend the payment of an interim dividend for the nine months ended 31 December 2013.

### Business Review

For the Financial Period under review, the Group's turnover of its key product groups in continuing operations, including (i) power cords and inlet sockets for household electric appliances; and (ii) power and data cords for mobile handsets and medical control devices, accounted for approximately 26% and 74% (2012: approximately 17% and 73%) of the total turnover of the Group, respectively.

Turnover arising from Hong Kong and the PRC markets continued to be the key contributors for the Group, representing approximately 65% (2012: approximately 85%) of the total turnover of the Group for the Financial Period. The remaining turnover of approximately 35% (2012: approximately 15%) for the Financial Period was contributed from other overseas markets, including the United States.

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

For the Financial Period under review, the Group's turnover from power cords and inlet sockets for household electric appliances was approximately HK\$28 million (2012: approximately HK\$20 million), representing an increase of approximately 40% from the Previous Corresponding Period, which accounted for approximately 26% (2012: approximately 17%) of the total turnover of the Group.

The Group's power cords and inlet sockets used in household electric appliances received safety approvals and/or certificates in many countries, many of which 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 in the long run.

## **Business Review (Continued)**

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

For the Financial Period under review, the Group's turnover from power and data cords for mobile handsets was approximately HK\$60 million (2012: approximately HK\$76 million), representing a decrease of approximately 21% from the Previous Corresponding Period, which accounted for approximately 57% (2012: approximately 62%) of the total turnover 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 enormous demand for telecommunication devices, especially in the PRC, facilitated the Group to produce power and data cords of different specifications, including high speed USB connectors and data cord products, which can support higher data transmission speeds and better audiovisual output quality. All our devices conform with the standards of mobile handset accessories designs set by USB Implementers Forum, Inc.

For the Financial Period under review, the Group's turnover from power and data cords for medical control devices was approximately HK\$18 million (2012: approximately HK\$14 million), representing an increase of approximately 29% from the Previous Corresponding Period, which accounted for approximately 17% (2012: approximately 11%) of the total turnover of the Group.

The power and data cords for 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 assembly and are processed into final products (which include pillow speakers, bed controls, bed cables and call cords to be sold to hospitals and clinics).

### *Digital marketing solution*

For the period under review, the newly acquired subsidiary, 3 Dynamics (Asia) Limited has generated a revenue of approximately HK\$0.5 million from rendering services of digital marketing solution.

## **Acquisition of a Subsidiary**

On 21 November 2013, Dynamic Miracle Limited (the "Purchaser") a wholly-owned subsidiary of the Company and Mr. Chung Wai Sum (the "Vendor") entered into a Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell to the Purchaser, and the Purchaser agreed to purchase from the Vendor the Sale Shares, representing the entire issued share capital of 3 Dynamics (Asia) Limited ("3 Dynamics"), at a total consideration of HK\$170 million.

The completion date of the acquisition was on 11 December 2013, which is also the acquisition date ("Acquisition Date") for accounting purpose.

## Acquisition of a Subsidiary (Continued)

The Consideration for the Acquisition is HK\$170 million, has been satisfied by the Purchaser in the following manner:

- (i) HK\$40 million paid in cash by the Purchaser to the Vendor;
- (ii) HK\$82.5 million by the allotment and issue of a total of 55 million Consideration Shares credited as fully paid at HK\$1.50 per Consideration Share to the Vendor, of which (i) share certificate in respect of 27 million Consideration Shares was delivered to the Vendor; and (ii) share certificate in respect of 28 million Consideration Shares was delivered to the Escrow Agent as security for the performance of the Vendor's obligations under a Profit Guarantee clause that the net profits after tax of 3 Dynamics for the upcoming 12 months after the Acquisition Date shall not be less than HK\$42 million; and
- (iii) HK\$47.5 million in form of the Promissory Note in favour of the Vendor.

The consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to (i) the Valuation Report dated 19 November 2013 prepared by the Valuer showing that the market value of 3 Dynamics was valued at approximately HK\$175.2 million as at 15 November 2013 based on the discounted cash flow method under income approach; (ii) the Profit Guarantee; and (iii) the business and growth prospects of the Group after the Acquisition.

3 Dynamics is a company incorporated in Hong Kong with limited liability and is principally engaged in the development of digital applications, including but not limited to handheld electronic game consoles, mobile game applications and digital marketing solutions. As at 2009, 3 Dynamics has successfully developed more than 60 mobile titles on various platforms, which are sold worldwide and available in various languages.

3 Dynamics, has recently extended its business to gaming design for mobile gaming products incorporating popular animated characters in the PRC. A co-operation agreement with a professional 3-dimensional animation studio (the "Animation Studio") pursuant to which the Animation Studio shall (i) exclusively authorize and provide its animation works and cartoon characters to 3 Dynamics and (ii) work as the exclusive worldwide distributor of the Game Consoles, for a period of 5 years and extendable for further 5 years whereby 3 Dynamics shall use such materials to develop and manufacture handheld electronic game consoles (the "Game Consoles"). The Animation Studio, which is licensed to produce broadcasting and television programs and registered to, inter alia, produce and distribute television programs and animation programs in the PRC, has completed over 32,000 minutes of original 3-dimensional animation works and owns over hundreds of patented cartoon characters and works of which have been broadcasted on China Central Television Station and over 70 major TV channels in the PRC.

## Outlook

According to the statistics from the Ministry of Industry and Information Technology of the PRC, the PRC telecommunications industry is growing at a steady pace. Meanwhile, the continuous development and advancement of telecommunication brings in more 3G mobile service users in the PRC, which has reached 300 million in May 2013. Accordingly, the Group shall fully utilise the production and sales capability in order to fulfil the vast market needs.

On 6 September 2013, the Company entered into a Joint Venture agreement (the “JV agreement”) with Jiangxi Zhongyou Yingtai Natural Gas Limited Liability Company (“Zhongyou Yingtai”) and Zhongwajian Engineering Construction Limited (“Zhongwajian”), pursuant to which (i) a JV Company, namely Jiangxi China Oil Gangran Energy Technology Company Limited (“JV Company”) will be jointly established for the purpose of development of liquefied natural gas (“LNG”), compressed natural gas (“CNG”) and related clean energy business, including but not limited to the conversion of traditional oil fuel utilization to LNG utilization by vessels in the water transportation industry; and (ii) the Technology will be injected into the JV Company by Zhongyou Yingtai. The registered capital of the JV Company will be RMB100 million (equivalent to approximately HK\$126.72 million) which will be contributed and owned by the Company, Zhongyou Yingtai and Zhongwajian as to 51%, 40% and 9%, respectively, details of which were disclosed in the announcement dated 16 September 2013. Reference is also made to the Company’s announcements dated 10 October 2013, 25 October 2013, 14 November 2013, 16 December 2013 and 27 January 2014 in relation to the delay in despatch of the circular in respect of the major transactions.

The JV Company will be established to engage in the proposed business of, inter alia, the development of LNG, CNG and related clean energy business, including but not limited to the conversion of traditional diesel utilization to LNG utilization by vessels in the water transportation industry. The government of the PRC has issued national plans and guidance notes in relation to the implementation of energy conservation and emission reduction policies, pursuant to which one of the focuses is on the utilization of natural gas and the conversion of traditional diesel utilization to LNG utilization by vessels in the water transportation industry. With the PRC’s policy of development of energy conservation and environmental protection industry, the consumption of clean energy such as natural gas is expected to increase in industrial, civil, transportation and other fields and the prospect of LNG, CNG and related clean energy for a sustainable development market is bright.

## Outlook (Continued)

The development of LNG, CNG and related clean energy business will become a new business segment of the Group upon completion of the Formation of JV Company, pursuant to the voluntary announcement dated 27 January 2014, the JV Company has been set up and registered under the name "Jiangxi China Oil Gangran Energy Technology Company Limited". The Company has paid RMB35 million (equivalent to approximately HK\$45.21 million) to the JV Company on 27 January 2014 in accordance with the terms of the JV Agreement as part of the Company's contribution to the registered capital of the JV Company.

Given the Board's positive outlook of the development of natural gas in the PRC, the Company believes that the Group would leverage on the connections and expertise of Zhongyou Yingtai on the Technology to develop the JV Company's LNG, CNG and related clean energy business in the PRC. The Board also believes that the Formation of JV Company would enable the Group to diversify its revenue source and improve the Group's profitability in the long run.

Looking ahead, the Group is optimistic about the macroeconomic environment. The Group shall adopt a moderate marketing strategy to capture potential business opportunities. A balanced and steady development of the existing businesses would be maintained, including (i) power cords and inlet sockets for household electric appliances, (ii) power and data cords for mobile handsets and medical control devices, (iii) gaming design for mobile gaming products incorporating popular animated characters in the PRC, and (iv) the development of LNG and CNG and related clean energy business so as to maximize the profitability of the Group. In the future, the Group will continue to actively explore business opportunities in other sectors to diversify risks and broaden the source of income of the Group.

## Financial Review, Capital Structure and Fundraising Activities

On 3 October 2013, the Company entered into a placing agreement with RHB OSK Securities Hong Kong Limited in relation to the placing of an aggregate of 66 million placing shares at HK\$1.56 each. The Company has successfully placed 11.45 million new shares at the placing price of HK\$1.56 per share and has received net proceeds of approximately HK\$17.41 million from the Placing. The net proceeds from the Placing has been used to fund its capital commitment towards the formation of JV Company. Details of which were disclosed in the announcements of the Company dated 3 October 2013 and 2 December 2013;

On 25 October 2013, the Company entered into a supplemental memorandum of understanding, supplementing the August 2013 MOU, entered into between the Company, as the purchaser, and Mr. Chung Wai Sum, as the vendor, setting out a further deposit to be paid by the Company to acquire 3 Dynamics (Asia) Limited. The Company entered into the Sale and Purchase Agreement with the Vendor on 21 November 2013 at a total consideration of HK\$170 million. Completion has taken place on 11 December 2013, details of which were disclosed in the announcement of the Company dated 25 October 2013, 21 November 2013 and 18 December 2013;

On 20 December 2013, the Company entered into a placing agreement (the “December 2013 Placing Agreement”) with Huatai Financial Holdings (Hong Kong) Limited in relation to the placing of convertible bonds in the aggregate principal amount of up to HK\$155 million to be issued by the Company convertible up to a maximum of 65,400,843 conversion shares. On 6 January 2014, the Company entered into a supplemental agreement, supplementing the December 2013 Placing Agreement, with Huatai Financial Holdings (Hong Kong) Limited, setting out the amendment to the placing period of the December 2013 Placing Agreement. The Company has issued Convertible Bonds in the aggregate principal amount of HK\$55.5 million and has received a net proceeds of HK\$54.95 million after deduction of expenses. The proceeds are intended to be used by the Company to contribute to the registered capital of the JV Company. Details of which were disclosed in the announcement of the Company dated 20 December 2013, 6 January 2014 and 27 January 2014; and

On 10 January 2014, the Company entered into a memorandum of understanding with the purchaser, and Mr. Wu Zhi Qiang, as the vendor, in relation to the sale and purchase of the entire issued share capital of Jian Long Da Holdings Limited (“Jian Long Da”). A formal agreement will be entered by the parties upon completion of the Due Diligence Review on Jian Long Da by the Company and the result is to the satisfaction of the Company. Details of which were disclosed in the announcement of the Company dated 10 January 2014.



## THIRD QUARTERLY UNAUDITED RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the Financial Period together with the comparative figures for the Previous Corresponding Period as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2013

	Note	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2013	2012	2013	2012
		HK\$	HK\$	HK\$	HK\$
<b>Continuing operations</b>					
<b>Turnover</b>	2	<b>26,248,191</b>	37,996,018	<b>106,657,681</b>	110,800,175
Cost of sales		<b>(21,873,208)</b>	(32,391,947)	<b>(85,033,659)</b>	(91,497,424)
<b>Gross profit</b>		<b>4,374,983</b>	5,604,071	<b>21,624,022</b>	19,302,751
Other income	3	<b>145,030</b>	5,034,116	<b>300,668</b>	5,318,479
Selling expenses		<b>(1,114,063)</b>	(781,935)	<b>(4,242,521)</b>	(2,908,878)
Administrative expenses		<b>(23,302,913)</b>	(6,908,595)	<b>(81,260,473)</b>	(19,145,997)
<b>(Loss)/profit from operations</b>		<b>(19,896,963)</b>	2,947,657	<b>(63,578,304)</b>	2,566,355
Gain on disposal of subsidiaries		<b>-</b>	-	<b>26,648</b>	-
Finance costs	4	<b>(1,510,683)</b>	(191,102)	<b>(2,138,170)</b>	(642,178)
<b>(Loss)/profit before tax</b>		<b>(21,407,646)</b>	2,756,555	<b>(65,689,826)</b>	1,924,177
Income tax expense	5	<b>(106,889)</b>	(46,633)	<b>(456,628)</b>	(498,587)
<b>(Loss)/profit for the period from continuing operations</b>		<b>(21,514,535)</b>	2,709,922	<b>(66,146,454)</b>	1,425,590
<b>Discontinued operations</b>					
Loss for the period from discontinued operations	6	<b>-</b>	(2,244,283)	<b>-</b>	(10,104,810)
<b>(Loss)/profit for the period</b>		<b>(21,514,535)</b>	465,639	<b>(66,146,454)</b>	(8,679,220)
<b>Other comprehensive income, net of tax:</b>					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		<b>632,462</b>	-	<b>760,352</b>	-
<b>Total comprehensive (loss)/income for the period</b>		<b>(20,882,073)</b>	465,639	<b>(65,386,102)</b>	(8,679,220)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the three and nine months ended 31 December 2013

	Note	(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		31 December	2012	31 December	2012
		2013	2012	2013	2012
		HK\$	HK\$	HK\$	HK\$
<b>(Loss)/profit for the period attributable to:</b>					
Owners of the Company					
(Loss)/profit from continuing operations		<b>(21,422,170)</b>	2,709,922	<b>(66,006,663)</b>	1,425,590
Loss from discontinued operations		-	(1,573,677)	-	(7,064,548)
(Loss)/profit attributable to owners of the Company		<b>(21,422,170)</b>	1,136,245	<b>(66,006,663)</b>	(5,638,958)
Non-controlling interests					
Loss from continuing operations		<b>(92,365)</b>	-	<b>(139,791)</b>	-
Loss from discontinued operations		-	(670,606)	-	(3,040,262)
Loss attributable to non-controlling interests		<b>(92,365)</b>	(670,606)	<b>(139,791)</b>	(3,040,262)
		<b>(21,514,535)</b>	465,639	<b>(66,146,454)</b>	(8,679,220)
<b>Total comprehensive (loss)/profit for the period attributable to:</b>					
Owners of the Company					
(Loss)/profit from continuing operations		<b>(20,789,708)</b>	2,709,922	<b>(65,246,311)</b>	1,425,590
Loss from discontinued operations		-	(1,573,677)	-	(7,064,548)
(Loss)/profit attributable to owners of the Company		<b>(20,789,708)</b>	1,136,245	<b>(65,246,311)</b>	(5,638,958)
Non-controlling interests					
Loss from continuing operations		<b>(92,365)</b>	-	<b>(139,791)</b>	-
Loss from discontinued operations		-	(670,606)	-	(3,040,262)
(Loss)/profit attributable to non-controlling interests		<b>(20,882,073)</b>	465,639	<b>(65,386,102)</b>	(8,679,220)
(Loss)/earnings per share (HK\$ cents)	7				
From continuing and discontinued operations					
Basic		<b>(3.17)</b>	0.20	<b>(10.51)</b>	(1.02)
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A
From continuing operations					
Basic		<b>(3.17)</b>	0.49	<b>(10.51)</b>	0.26
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

## NOTES TO THE THIRD QUARTERLY UNAUDITED RESULTS

### 1. BASIS OF PREPARATION

The third quarterly unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the third quarterly unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's financial statements for the year ended 31 March 2013.

The HKICPA has issued a number of new and revised HKFRSs. For those which are relevant to the Group's operations and effective for its accounting period beginning on 1 April 2013, the adoption has no significant changes on the Group's accounting policies, the presentation, the reported results and the financial position of the Group for the current or prior accounting periods.

The Group has not applied the new and revised HKFRSs which have been issued but are not yet effective. The Group is currently in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether they would have a material impact on the Group's results and financial position.

### 2. TURNOVER

	(Unaudited) Three months ended 31 December 2013		(Unaudited) Nine months ended 31 December 2013	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Power cords and inlet sockets for household electric appliances	7,748,212	4,732,116	28,053,713	20,158,242
Power and data cords for mobile handset and medical control devices	17,999,979	33,263,902	78,103,968	89,215,179
Service income from developing mobile phone applications	500,000	–	500,000	–
Raw cables	–	–	–	766,608
Copper wires	–	691,128	–	11,326,230
Others	–	–	–	660,146
	<b>26,248,191</b>	38,687,146	<b>106,657,681</b>	122,126,405
<b>Representing:</b>				
Continuing operations	26,248,191	37,996,018	106,657,681	110,800,175
Discontinued operations	–	691,128	–	11,326,230
	<b>26,248,191</b>	38,687,146	<b>106,657,681</b>	122,126,405

### 3. OTHER INCOME

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Interest income	4,589	5,047	12,718	17,954
Gain on disposal of property, plant and equipment	-	4,795,947	-	4,795,947
Sundry income	140,441	234,632	287,950	508,122
	<b>145,030</b>	<b>5,035,626</b>	<b>300,668</b>	<b>5,322,023</b>
<b>Representing:</b>				
Continuing operations	145,030	5,034,116	300,668	5,318,479
Discontinued operations	-	1,510	-	3,544
	<b>145,030</b>	<b>5,035,626</b>	<b>300,668</b>	<b>5,322,023</b>

### 4. FINANCE COSTS

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Interest on bank borrowings and early settlement of trade receivables	74,584	191,102	248,405	695,197
Interest on promissory notes	1,436,099	-	1,889,765	-
	<b>1,510,683</b>	<b>191,102</b>	<b>2,138,170</b>	<b>695,197</b>
<b>Representing:</b>				
Continuing operations	1,510,683	191,102	2,138,170	642,178
Discontinued operations	-	-	-	53,019
	<b>1,510,683</b>	<b>191,102</b>	<b>2,138,170</b>	<b>695,197</b>

## 5. INCOME TAX EXPENSE

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
<b>Continuing operations</b>				
Current tax – Hong Kong Profits Tax				
Provision for the period	–	–	48,203	24,368
Over provision in prior periods	(1,495)	–	(1,495)	(118,445)
	(1,495)	–	46,708	(94,077)
Current tax – PRC Enterprise Income Tax				
Provision for the period	108,384	46,633	409,920	592,664
	106,889	46,633	456,628	498,587

Hong Kong Profits Tax has been provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period.

The Group's subsidiary in the PRC was approved as a high technology enterprise in November 2012 pursuant to which the PRC subsidiary can enjoy a preferential income tax rate of 15% (2012: 15%) effective from 1 January 2012 to 31 December 2014. The Group's other PRC subsidiaries are subject to the PRC Enterprise Income Tax at the rate of 25% (2012: 25%).

## 6. DISCONTINUED OPERATIONS

As economies of scale could not be achieved in the near term, the Group incurred a significant operating loss and streamlined its business during the nine months ended 31 December 2012 so that the Group ceased its operation of the copper wire business since late September 2012.

The results of the discontinued operations related to copper wires for the nine months ended 31 December 2012, which have been included in the consolidated profit or loss, are set out below.

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
<b>Turnover</b>	–	691,128	–	11,326,230
Cost of sales	–	(1,030,722)	–	(13,325,664)
<b>Gross loss</b>	–	(339,594)	–	(1,999,434)
Other income	–	1,510	–	3,544
Selling expenses	–	(40,318)	–	(159,081)
Administrative expenses	–	(1,865,881)	–	(7,896,820)
<b>Loss from operations</b>	–	(2,244,283)	–	(10,051,791)
Finance costs	–	–	–	(53,019)
<b>Loss before tax</b>	–	(2,244,283)	–	(10,104,810)
Income tax expense	–	–	–	–
<b>Loss for the period from discontinued operations</b>	–	(2,244,283)	–	(10,104,810)

## 7. (LOSS)/EARNINGS PER SHARE

### (a) For continuing and discontinued operations – Basic

Basic loss/earnings per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$21,422,170 (2012: profit of HK\$1,136,245) by the weighted average number of ordinary shares of 676,288,043 (2012: 550,000,000) in issue for the three months ended 31 December 2013. Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$66,006,663 (2012: HK\$5,638,958) by the weighted average number of ordinary shares of 627,849,091 (2012: 550,000,000) in issue for the nine months ended 31 December 2013.

### (b) For continuing operations – Basic

Basic loss/earnings per share for continuing operations is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$21,422,170 (2012: profit of HK\$2,709,922) by the weighted average number of ordinary shares of 676,288,043 (2012: 550,000,000) in issue for the three months ended 31 December 2013. Basic loss/earnings per share for continuing operations is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$66,006,663 (2012: profit of HK\$1,425,590) by the weighted average number of ordinary shares of 627,849,091 (2012: 550,000,000) in issue for the nine months ended 31 December 2013.

### (c) For discontinued operations – Basic

Basic loss per share for discontinued operations is HK\$0.29 cents per share, based on the unaudited loss attributable to owners of the Company of HK\$1,573,677 by the weighted average number of ordinary shares of 550,000,000 in issue for the three months ended 31 December 2012. Basic loss per share for discontinued operations is HK\$1.28 cents per share, based on the unaudited loss attributable to owners of the Company of HK\$7,064,548 by the weighted average number of ordinary shares of 550,000,000 in issue for the nine months ended 31 December 2012.

No diluted loss/earnings per share is presented as the Company did not have any potential dilutive ordinary shares outstanding for the three and nine months ended 31 December 2013 and 2012 respectively.

## 8. DIVIDEND

The Board do not recommend the payment of an interim dividend for the Financial Period (2012: Nil).

## 9. RESERVES

	(Unaudited)									
	Attributable to owners of the Company									
	Share Capital HK\$	Share premium HK\$	Statutory reserve HK\$	Other reserve HK\$	Translation reserve HK\$	Share- based capital reserves HK\$	Retained earnings/ (Accumulated losses) HK\$	Total HK\$	Non- controlling interests HK\$	Total equity HK\$
<b>At 1 April 2012</b>	550,000	29,530,415	2,502,035	(191,847)	200,868	-	30,992,939	63,584,410	835,376	64,419,786
Total comprehensive loss for the period	-	-	-	-	-	-	(5,638,958)	(5,638,958)	(3,040,262)	(8,679,220)
Transfer to statutory reserve	-	-	282,532	-	-	-	(282,532)	-	-	-
Changes in equity for the period	-	-	282,532	-	-	-	(5,921,490)	(5,638,958)	(3,040,262)	(8,679,220)
<b>At 31 December 2012</b>	550,000	29,530,415	2,784,567	(191,847)	200,868	-	25,071,449	57,945,452	(2,204,886)	55,740,566
<b>At 1 April 2013</b>	550,000	29,530,415	2,894,655	-	82,538	-	20,897,395	53,955,003	-	53,955,003
Total comprehensive loss for the period	-	-	-	-	760,352	-	(66,006,663)	(65,246,311)	(139,791)	(65,386,102)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	120,000	120,000
Issue of shares upon placing, net of share issuance expenses	121,450	30,139,396	-	-	-	-	-	30,260,846	-	30,260,846
Issue of shares arising from acquisition of a subsidiary	55,000	82,445,000	-	-	-	-	-	82,500,000	-	82,500,000
Recognition of equity-settled share-based payments	-	-	-	-	-	46,319,000	-	46,319,000	-	46,319,000
Changes in equity for the period	176,450	112,584,396	-	-	760,352	46,319,000	(66,006,663)	93,833,535	(19,791)	93,813,744
<b>At 31 December 2013</b>	726,450	142,114,811	2,894,655	-	842,890	46,319,000	(45,109,268)	147,788,538	(19,791)	147,768,747

## 10. CAPITAL COMMITMENTS

The Group's capital commitments for property, plant and equipment contracted but not provided for amounted to approximately HK\$101,750 (unaudited) at 31 December 2013 (31 March 2013: approximately HK\$527,000 (audited)).

## 11. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 December 2013 and 31 March 2013.

## COMPETING INTERESTS

Neither of the Directors, the compliance adviser and the substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) are or were interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Financial Period.

## DIRECTORS' INTERESTS IN SHARES

As at 31 December 2013, the interests or short positions of the Directors, chief executives of the Company or their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are or were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise 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) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Yeung Tin Hung	Interest in a controlled corporation	354,500,000	49%

### (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 in the Company
Mr. Yeung Tin Hung	Race Champion Holdings Limited	Interest in a controlled corporation	2 shares	100%

Saved as disclosed above, as at 31 December 2013, none of the Directors, chief executives of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provision of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise 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.



## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 31 December 2013, the following entities or persons (not being a Director or chief executive of the Company) had an interest and short position of 5% or more in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which are required pursuant to Section 336 of the SFO:

### Long positions in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Race Champion Holdings Limited	Interest in a controlled corporation	354,500,000	49%
Fairson Holdings (BVI) Limited	Registered owner	354,500,000	49%

### 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. 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 Group 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 terms of the Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

## SHARE OPTION SCHEME (Continued)

Particulars of the options to subscribe for Shares granted to the Directors pursuant to the Share Option Scheme as at 31 December 2013 are set out below:

Name of Directors	Capacity/ Nature of interest	Date of grant	Exercise price	Exercise period of share options	Maximum number of Shares subject to the outstanding options
Mr. Yeung Shing Wai	Beneficial owner/ personal	17 September 2013	HK\$2.18	17 September 2013 – 16 September 2023	5,500,000
Mr. Ho Chun Kit Gregory	Beneficial owner/ personal	17 September 2013	HK\$2.18	17 September 2013 – 16 September 2023	5,500,000
Mr. Wong Chi Yung	Beneficial owner/ personal	17 September 2013	HK\$2.18	17 September 2013 – 16 September 2023	5,500,000

Notes: As at 31 December 2013, all the options referred to in the table above remain outstanding and have not been exercised.

Mr. Wong Chi Yung has resigned as a non-executive director of the Company with effect from 20 December 2013, and on 10 January 2014, he has agreed with the Company to lapse his share options of 5.5 million shares.

## INTERESTS OF OTHER PERSONS

So far as is known to any Directors or chief executive of the Company, as at 31 December 2013, 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.

## 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 is comprised of three independent non-executive Directors. The audit committee has reviewed the third quarterly unaudited consolidated results for the Financial Period.

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by Quam Capital Limited (“Quam”), the compliance adviser of the Company, neither Quam or 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 31 December 2013. Pursuant to the compliance advisory agreement dated 6 May 2011 entered into between Quam and the Company, Quam has received and will receive fees for acting as the compliance adviser of the Company.

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

Neither the Company or any of its subsidiaries have purchased, sold, or redeemed any of the listed securities of the Company during the Financial Period.

By order of the Board  
**Yeung Tin Hung**  
Chairman

Hong Kong, 13 February 2014

*As at the date of the report, the executive Directors are Mr. Yeung Tin Hung, Mr. Yeung Shing Wai and Mr. Ho Chun Kit Gregory; the non-executive Director is Mr. Tse Yee Hin, Tony; and the independent non-executive Directors are Ms. Eugenia Yang, Mr. Chan Lung Ming, Mr. Ng Ka Chung and Mr. Lau Sung Tat, Vincent.*