

*Third Quarterly Report*

**2011**

**Fairson Holdings Limited**  
**鉦皓控股有限公司**

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

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

*This Report, for which the directors (the “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 nine months ended 31 December 2011, the Company and its subsidiaries (the "Group") recorded a total revenue of approximately HKD127,011,000 (2010: approximately HKD125,906,000), representing an increase of approximately 1% in the corresponding period of 2010 which was mainly due to the increase of sales of copper wires, partially offset by decrease of sales of power and data cords for mobile handsets and raw cables. Loss attributable to shareholders of the Group for the nine months ended 31 December 2011 of approximately HKD1,678,000 as compared to a profit of approximately HKD16,367,000 for the corresponding period of 2010 which was mainly due to (i) the operating loss in the manufacturing and sales of copper wires which are yet to achieve economies of scale during the nine months ended 31 December 2011; (ii) the absence of an one-off fair value gain (which was partially offset by a goodwill impairment) recorded in the corresponding period of last financial year; (iii) the absence of management service fee income from Sun Fair Electric Wire & Cable Industrial Co., Limited, which became a wholly-owned subsidiary of the Group in May 2010, recorded in the corresponding period of last financial year; (iv) the increasing market competition; (v) the increased Group's investment in new products which are expected to have gradual revenue contribution to the Group from 2012 onwards; and (vi) the increased administrative expenses in relation to the listing of the shares of the Company. Basic loss per share for the nine months ended 31 December 2011 were approximately HKD0.3 cent (2010: basic profit per share approximately HKD4.3 cents). The board of Directors (the "Board") does not recommend the payment of an interim dividend for the nine months ended 31 December 2011.

During the period under review, 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; (iii) raw cables; and (iv) copper wires, contributed approximately 30%, 51%, 3% and 15% to the Group's total revenue respectively (2010: approximately 26%, 65%, 7% and 0% respectively). Revenue arising from Hong Kong and the People's Republic of China (the "PRC") markets continued to be the key contributors, taking up approximately 88% (2010: approximately 74%), to the Group's total revenue for the nine months ended 31 December 2011. The remaining revenue of approximately 12% (2010: approximately 26%) for the nine months ended 31 December 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 nine months ended 31 December 2011, the Group's revenue from power cords and inlet sockets for household electric appliances was approximately HKD38,811,000 (2010: approximately HKD32,821,000), representing an increase of approximately 18% from the same period of last year and accounted for approximately 30% (2010: approximately 26%) 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 fulfill the expectation and requirements of customers and benefit the Group's business expansion.

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

During the nine months ended 31 December 2011, the Group's revenue from power and data cords for mobile handsets was approximately HKD49,041,000 (2010: approximately HKD68,228,000), representing a decrease of approximately 28% from the same period of last year and accounted for approximately 39% (2010: approximately 54%) 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 nine months ended 31 December 2011, the Group's revenue from medical control devices was approximately HKD14,690,000 (2010: approximately HKD14,028,000), representing an increase of approximately 5% as compared to the same period of last year and accounted for approximately 12% (2010: approximately 11%) of the Group's total revenue.

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 product safety and security.

#### *Raw cables*

During the nine months ended 31 December 2011, the Group's revenue from raw cables was approximately HKD3,573,000 (2010: approximately HKD9,423,000), representing a decrease of approximately 62% compared to the same period of last year and accounted for approximately 3% (2010: approximately 7%) of the Group's total revenue. The decrease was mainly due to the Group's strategy to concentrate on 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 engages in the manufacturing of raw cables using halogen-free and insulation materials as they are more environmental friendly that are able to adapt to the changing needs and requirement of the market.

#### *Copper wires*

During the nine months ended 31 December 2011, the Group's revenue from copper wires was approximately HKD19,658,000 (2010: nil) and accounted for approximately 15% (2010: nil) of the Group's total revenue. Copper rods are purchased and processed to copper wires for sale. In addition, the Group helps clients to add a tin coating on the copper wires upon their requests.

### **OUTLOOK**

The listing of the shares of the Company on GEM of the Stock Exchange on 18 May 2011 helps to provide funding for the expansion plans of the Group's development.

The Group believes that telecommunications industry in the PRC will expand and flourish in the coming years and it will continue to concentrate its efforts to grasp the enormous opportunities. Taking into account of the geographical advantage, the Group will put its 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 providers and a quality manufacturer of power and data cords in the industry, the Group will continue to uphold its competitive edges 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 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 is engaged in the manufacturing and sales of copper wires and related machineries. Zing Fair's copper wire business is now expanding in a large extent with a turnover of approximately HKD19.7 million for the nine months ended 31 December 2011. 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 which in turn will improve its production efficiency. In addition, the Group will also implement measures to monitor, control and lower the labour cost of the Group in relation to its copper wire business in the upcoming years.

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 HKD23.0 million for the acquisition of land and the construction of new production plant and enhancement of production utilization to approximately HKD7.0 million. The Group decides to 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 can enable a stable manufacture and enhance overall cost effectiveness and production efficiency. Meanwhile, the remaining balance of approximately HKD16.0 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, aiming to better cope with the current uncertain global economy.

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 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 maximizing the profitability of the Group.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

For the three and nine months ended 31 December 2011

	Note	Three months ended 31 December		Nine months ended 31 December	
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		2011	2010	2011	2010
		HKD	HKD	HKD	HKD
<b>Revenue</b>	2	<b>55,790,708</b>	45,653,677	<b>127,010,884</b>	125,905,803
Cost of sales		<b>(53,926,696)</b>	(34,644,882)	<b>(112,652,677)</b>	(99,370,585)
<b>Gross profit</b>		<b>1,864,012</b>	11,008,795	<b>14,358,207</b>	26,535,218
Other (losses)/gains – net	3	<b>(907,841)</b>	(196,932)	<b>(1,543,753)</b>	5,932,869
Selling expenses		<b>(1,369,777)</b>	(1,094,549)	<b>(3,617,682)</b>	(3,585,218)
Administrative expenses		<b>(4,563,019)</b>	(2,252,706)	<b>(10,950,232)</b>	(9,856,996)
<b>Operating (loss)/profit</b>		<b>(4,976,625)</b>	7,464,608	<b>(1,753,460)</b>	19,025,873
Finance income		<b>5,420</b>	21,283	<b>9,527</b>	42,007
Finance costs		<b>(185,840)</b>	(167,694)	<b>(457,084)</b>	(609,257)
Share of profit of a jointly controlled entity		<b>–</b>	–	<b>–</b>	46,494
<b>(Loss)/profit before income tax</b>		<b>(5,157,045)</b>	7,318,197	<b>(2,201,017)</b>	18,505,117
Income tax credit/(expense)	4	<b>218,812</b>	(1,019,009)	<b>(533,696)</b>	(2,137,690)
<b>(Loss)/profit and total comprehensive (loss)/income for the period</b>	5	<b>(4,938,233)</b>	6,299,188	<b>(2,734,713)</b>	16,367,427
<b>(Loss)/profit and total comprehensive (loss)/income attributable to</b>					
<b>Owners of the Company</b>		<b>(3,922,049)</b>	6,299,188	<b>(1,677,794)</b>	16,367,427
<b>Non-controlling interests</b>		<b>(1,016,184)</b>	–	<b>(1,056,919)</b>	–
		<b>(4,938,233)</b>	6,299,188	<b>(2,734,713)</b>	16,367,427
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	6	<b>(0.7) cent</b>	1.6 cents	<b>(0.3) cent</b>	4.3 cents
Dividend		<b>–</b>	–	<b>–</b>	10,000,000

NOTES TO THE QUARTERLY RESULTS

**1 BASIS OF PREPARATION**

The unaudited quarterly 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 issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The principal accounting policies used in the quarterly financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2011.

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 REVENUE**

Revenue represents the aggregate of income from power cords and inlet sockets for household electric appliances, power and data cords for mobile handsets and medical control devices, raw cables, copper wires and related machineries and trading of plant and equipment and other cables, after elimination of all significant inter-company transactions between group companies.

**3 OTHER (LOSSES)/GAINS – NET**

	Three months ended 31 December		Nine months ended 31 December	
	2011 HKD	2010 HKD	2011 HKD	2010 HKD
Foreign exchange loss, net	<b>(1,016,073)</b>	(140,997)	<b>(1,738,929)</b>	(252,746)
Fair value gain on previously held interest in a jointly controlled entity (note)	-	-	-	5,520,733
Fair value gain on financial assets at fair value through profit or loss	<b>29,101</b>	5,701	<b>54,549</b>	52,420
Management service fee income from a related party	-	-	-	612,462
Sundry income/(loss)	<b>79,131</b>	(61,636)	<b>140,627</b>	-
	<b>(907,841)</b>	(196,932)	<b>(1,543,753)</b>	5,932,869

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 HKD5,520,733 as a result of re-measuring its 50% equity interest in SunFair Industrial previously held before the Acquisition at fair value.

#### 4 INCOME TAX (CREDIT)/EXPENSES

	Three months ended 31 December		Nine months ended 31 December	
	2011 HKD	2010 HKD	2011 HKD	2010 HKD
Current income tax				
– Hong Kong profits tax	(174,316)	440,410	243,300	1,043,442
– PRC corporate income tax	(44,496)	534,620	333,560	969,770
Deferred income tax	–	43,979	(43,164)	124,478
	<b>(218,812)</b>	1,019,009	<b>533,696</b>	2,137,690

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 (LOSS)/PROFIT FOR THE PERIOD

	Three months ended 31 December		Nine months ended 31 December	
	2011 HKD	2010 HKD	2011 HKD	2010 HKD
(Loss)/profit for the period has been arrived at after charging:				
Depreciation of property, plant and equipment	1,447,646	1,079,391	3,821,633	3,008,491
Impairment of goodwill (note)	–	–	–	3,243,500

Note: During the nine months ended 31 December 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 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the unaudited loss attributable to the owners of the Company for the three months and nine months ended 31 December 2011 of HKD3,922,049 and HKD1,677,794 respectively (three months and nine months ended 31 December 2010: profit of HKD6,299,188 and HKD16,367,427 respectively) and the weighted average number shares in issue for the three months and nine months ended 31 December 2011 of 550,000,000 and 521,200,000 (three months and nine months ended 31 December 2010: 385,000,000 and 385,000,000). The number of ordinary shares for the purpose of calculating basic (loss)/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 (loss)/earnings per share has been presented for the three months and nine months ended 31 December 2011 and 31 December 2010 due to the absence of dilutive potential ordinary shares for the three months and nine months ended 31 December 2010 and 2011.



## 7 RESERVES

	Nine months ended 31 December							
	Attributable to owners of the Company							
	Share capital/ issued equity HKD	Share premium HKD	Other reserve HKD	Statutory reserve HKD	Retained earning HKD	Subtotal HKD	Non-controlling interest HKD	Total HKD
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	-	-	-	-	16,367,427	16,367,427	-	16,367,427
Dividend	-	-	-	-	(10,000,000)	(10,000,000)	-	(10,000,000)
Transfer to statutory reserve	-	-	-	720,512	(720,512)	-	-	-
Balance at 31 December 2010	3,000,000	-	-	2,072,495	35,769,588	40,842,083	-	40,842,083
Balance at 1 April 2011	3,000,000	-	-	2,181,559	37,315,837	42,497,396	-	42,497,396
Loss and total comprehensive loss for the period	-	-	-	-	(1,677,794)	(1,677,794)	(1,056,919)	(2,734,713)
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	-	-	-	-	-	-	2,400,000	2,400,000
Transfer to statutory reserve	-	-	-	133,424	(133,424)	-	-	-
Balance at 31 December 2011	550,000	29,535,405	2,965,008	2,314,983	35,504,619	70,870,015	1,343,081	72,213,096

## 8 DIVIDEND

The directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2011.

During the nine months ended 31 December 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.

## 9 CAPITAL COMMITMENTS

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

	As at 31 December 2011 HKD	As at 31 March 2011 HKD
Property, plant and equipment	685,746	280,000

## 10 CONTINGENT LIABILITIES

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

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 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 31 December 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 31 December 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 31 December 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	54,040,000	9.83%

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 31 December 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.

## 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 third-quarterly results for the nine months ended 31 December 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 31 December 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 nine months ended 31 December 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 to 31 December 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 nine months ended 31 December 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, 9 February 2012

*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.*