

# Fairson Holdings Limited

鈺皓控股有限公司

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

(Stock Code: 8132)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2012

	Note	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
<b>Continuing operations</b>					
<b>Turnover</b>	2	<b>36,428,829</b>	37,949,594	<b>72,804,157</b>	71,220,176
Cost of sales		<u>(28,350,754)</u>	<u>(30,552,839)</u>	<u>(59,105,477)</u>	<u>(58,725,981)</u>
<b>Gross profit</b>		<b>8,078,075</b>	7,396,755	<b>13,698,680</b>	12,494,195
Other gains/(losses) – net	3	<b>71,779</b>	(439,276)	<b>297,595</b>	(635,912)
Selling expenses		<u>(1,173,254)</u>	<u>(1,014,865)</u>	<u>(2,126,943)</u>	<u>(2,247,905)</u>
Administrative expenses		<u>(6,253,638)</u>	<u>(3,108,890)</u>	<u>(12,261,896)</u>	<u>(6,176,571)</u>
<b>Operating profit/(loss)</b>		<b>722,962</b>	2,833,724	<b>(392,564)</b>	3,433,807
Finance income	4	<b>5,629</b>	2,685	<b>11,262</b>	4,107
Finance costs	4	<u>(217,241)</u>	<u>(124,335)</u>	<u>(451,076)</u>	<u>(271,244)</u>
<b>Profit/(loss) before tax</b>		<b>511,350</b>	2,712,074	<b>(832,378)</b>	3,166,670
Income tax expense	5	<u>(317,992)</u>	<u>(707,633)</u>	<u>(451,954)</u>	<u>(793,635)</u>
<b>Profit/(loss) and total comprehensive income/(loss) for the period from continuing operations</b>		<b>193,358</b>	2,004,441	<b>(1,284,332)</b>	2,373,035
<b>Discontinued operation</b>					
<b>Loss and total comprehensive loss for the period from discontinued operation</b>	6	<u>(5,918,023)</u>	<u>(144,927)</u>	<u>(7,860,527)</u>	<u>(169,515)</u>
<b>(Loss)/profit and total comprehensive (loss)/income for the period</b>	7	<u><b>(5,724,665)</b></u>	<u>1,859,514</u>	<u><b>(9,144,859)</b></u>	<u>2,203,520</u>
<b>Attributable to:</b>					
Owners of the Company					
Profit/(loss) and total comprehensive income/(loss) from continuing operations		<b>193,358</b>	2,004,441	<b>(1,284,332)</b>	2,373,035
Loss and total comprehensive loss from discontinued operation		<u>(4,137,268)</u>	<u>(111,568)</u>	<u>(5,490,871)</u>	<u>(128,780)</u>

	<i>Note</i>	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
		<b>Three months ended</b>		<b>Six months ended</b>	
		<b>30 September</b>		<b>30 September</b>	
		<b>2012</b>	2011	<b>2012</b>	2011
		<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
(Loss)/profit and total comprehensive (loss)/income attributable to owners of the Company		<b>(3,943,910)</b>	1,892,873	<b>(6,775,203)</b>	2,244,255
Loss and total comprehensive loss from discontinued operation attributable to non-controlling interests		<u><b>(1,780,755)</b></u>	<u>(33,359)</u>	<u><b>(2,369,656)</b></u>	<u>(40,735)</u>
		<u><b>(5,724,665)</b></u>	<u>1,859,514</u>	<u><b>(9,144,859)</b></u>	<u>2,203,520</u>
(Loss)/earnings per share attributable to owners of the Company for the period (expressed in HK cents per share)	<i>8</i>				
– Basic and diluted					
From continuing operations		<u><b>0.03</b></u>	<u>0.36</u>	<u><b>(0.23)</b></u>	<u>0.47</u>
From discontinued operation		<u><b>(0.75)</b></u>	<u>(0.02)</u>	<u><b>(1.00)</b></u>	<u>(0.03)</u>
From continuing and discontinued operations		<u><b>(0.72)</b></u>	<u>0.34</u>	<u><b>(1.23)</b></u>	<u>0.44</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

		(Unaudited) 30 September 2012 <i>HK\$</i>	(Audited) 31 March 2012 <i>HK\$</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	24,640,208	28,008,676
Goodwill		7,891,161	7,891,161
Available-for-sale financial assets		2,541,278	2,541,278
Other non-current assets		<u>386,432</u>	<u>650,000</u>
		<u>35,459,079</u>	<u>39,091,115</u>
<b>Current assets</b>			
Inventories		20,586,708	21,738,090
Trade and other receivables	11	47,960,322	56,147,289
Financial assets at fair value through profit or loss		839,660	839,660
Pledged deposits		5,510,417	5,510,226
Cash and cash equivalents		<u>8,321,915</u>	<u>19,921,494</u>
		<u>83,219,022</u>	<u>104,156,759</u>
<b>Total assets</b>		<u><b>118,678,101</b></u>	<u><b>143,247,874</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital	13	550,000	550,000
Reserves		<u>56,259,207</u>	<u>63,034,410</u>
		56,809,207	63,584,410
<b>Non-controlling interests</b>		<u>(1,534,280)</u>	<u>835,376</u>
<b>Total equity</b>		<u><b>55,274,927</b></u>	<u><b>64,419,786</b></u>

		(Unaudited) 30 September 2012 <i>HK\$</i>	(Audited) 31 March 2012 <i>HK\$</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<u>973,694</u>	<u>973,694</u>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	32,685,798	39,736,598
Amount due to a director		3,418,266	4,207,422
Amount due to non-controlling interests		1,241,812	1,241,812
Current income tax liabilities		6,912,788	6,576,464
Borrowings		<u>18,170,816</u>	<u>26,092,098</u>
		<u>62,429,480</u>	<u>77,854,394</u>
<b>Total liabilities</b>		<u><b>63,403,174</b></u>	<u><b>78,828,088</b></u>
<b>Total equity and liabilities</b>		<u><b>118,678,101</b></u>	<u><b>143,247,874</b></u>
<b>Net current assets</b>		<u><b>20,789,542</b></u>	<u><b>26,302,365</b></u>
<b>Total assets less current liabilities</b>		<u><b>56,248,621</b></u>	<u><b>65,393,480</b></u>

# NOTES TO THE UNAUDITED INTERIM RESULTS ANNOUNCEMENT

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together the “Group”) 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 GEM Listing Rules.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the 2012 annual consolidated financial statements. The principal accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2012.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, “HKFRSs”). For those which are relevant to its operations and effective for its accounting period beginning on 1 April 2012, the adoption of these new and revised HKFRSs has no significant changes on the Group’s accounting policies, the presentation and 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 of operations and financial position.

## 2. SEGMENT INFORMATION

The reportable operating segments derive their turnover primarily from the manufacture and sale of power and data cords. Management assesses the performance of the following segments:

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

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 2012 (the “Interim Period”) is as follows:

	Continuing operations			Discontinued operation		
	Power cords and inlet sockets for household electric appliances	Power and data cords for mobile handsets and medical control devices	Raw cables	All other segments	Copper wires	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>For the six months ended 30 September 2012 (Unaudited)</b>						
Segment revenue	15,426,126	55,951,277	17,353,316	660,146	14,599,976	103,990,841
Inter-segment revenue	–	–	(16,586,708)	–	(3,964,874)	(20,551,582)
Segment revenue from external customers	<u>15,426,126</u>	<u>55,951,277</u>	<u>766,608</u>	<u>660,146</u>	<u>10,635,102</u>	<u>83,439,259</u>
Segment results	<u>2,470,389</u>	<u>10,840,016</u>	<u>240,800</u>	<u>147,475</u>	<u>(1,659,840)</u>	<u>12,038,840</u>
<b>For the six months ended 30 September 2011 (Unaudited)</b>						
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)
Segment revenue from external customers	<u>24,995,862</u>	<u>43,667,856</u>	<u>2,478,452</u>	<u>78,006</u>	<u>–</u>	<u>71,220,176</u>
Segment results	<u>4,240,688</u>	<u>7,626,430</u>	<u>624,794</u>	<u>2,283</u>	<u>–</u>	<u>12,494,195</u>

A reconciliation of segment results to (loss)/profit before tax from continuing and discontinued operations is provided as follows:

	(Unaudited)	
	Six months ended	
	30 September	
	2012	2011
	HK\$	HK\$
Segment results	12,038,840	12,494,195
Other gains/(losses) – net	308,827	(635,912)
Selling and administrative expenses	<u>(20,549,384)</u>	<u>(8,635,118)</u>
Operating (loss)/profit	(8,201,717)	3,223,165
Finance costs – net of finance income	<u>(491,188)</u>	<u>(267,137)</u>
(Loss)/profit before tax	<u><u>(8,692,905)</u></u>	<u><u>2,956,028</u></u>

### 3. OTHER GAINS/(LOSSES) – NET

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$	HK\$	HK\$	HK\$
<b>Continuing operations</b>				
Foreign exchange gain/(loss), net	12,194	(486,132)	24,494	(722,856)
Fair value gain on financial assets at fair value through profit or loss	–	15,355	–	25,448
Sundry income	<u>59,585</u>	<u>31,501</u>	<u>273,101</u>	<u>61,496</u>
	<u><u>71,779</u></u>	<u><u>(439,276)</u></u>	<u><u>297,595</u></u>	<u><u>(635,912)</u></u>
<b>Discontinued operation</b>				
Foreign exchange gain, net	18,419	–	10,843	–
Sundry income	<u>389</u>	<u>–</u>	<u>389</u>	<u>–</u>
	<u><u>18,808</u></u>	<u><u>–</u></u>	<u><u>11,232</u></u>	<u><u>–</u></u>
<b>Total continuing and discontinued operations</b>	<u><u>90,587</u></u>	<u><u>(439,276)</u></u>	<u><u>308,827</u></u>	<u><u>(635,912)</u></u>



#### 4. FINANCE INCOME AND COSTS

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2012	2011	2012	2011
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Continuing operations</b>				
Finance costs:				
– Interest on bank borrowings and early settlement of trade receivables	<u>217,241</u>	124,335	<u>451,076</u>	<u>271,244</u>
Finance income:				
– Short-term bank deposits	<u>5,629</u>	2,685	<u>11,262</u>	<u>4,107</u>
<b>Discontinued operation</b>				
Finance costs:				
– Interest on early settlement of trade receivables	<u>53,019</u>	–	<u>53,019</u>	–
Finance income:				
– Short-term bank deposits	<u>461</u>	–	<u>1,645</u>	–
<b>Total continuing and discontinued operations</b>				
Finance costs:				
– Interest on bank borrowings and early settlement of trade receivables	<u>270,260</u>	124,335	<u>504,095</u>	<u>271,244</u>
Finance income:				
– Short-term bank deposits	<u>6,090</u>	2,685	<u>12,907</u>	<u>4,107</u>

#### 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the Interim Period (2011: 16.5%). The People's Republic of China (the "PRC") corporate income tax is provided at the rate of 25% for the Interim Period (2011: 25%).

## 6. DISCONTINUED OPERATION

Due to economies of scale not having achieved in the near term and having incurred a significant operating loss, the Group streamlined its business during the Interim Period by ceasing the operation of the copper wire business since late September 2012.

The results of the discontinued operation related to copper wires for the Interim Period, which have been included in the consolidated profit or loss, are set out below.

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
<b>Turnover</b>	<b>1,345,024</b>	–	<b>10,635,102</b>	–
Cost of sales	<b>(2,098,035)</b>	–	<b>(12,294,942)</b>	–
<b>Gross loss</b>	<b>(753,011)</b>	–	<b>(1,659,840)</b>	–
Other gains – net	<b>18,808</b>	–	<b>11,232</b>	–
Selling expenses	<b>(25,495)</b>	–	<b>(118,763)</b>	–
Administrative expenses	<b>(5,105,767)</b>	(186,054)	<b>(6,041,782)</b>	(210,642)
<b>Operating loss</b>	<b>(5,865,465)</b>	(186,054)	<b>(7,809,153)</b>	(210,642)
Finance income	<b>461</b>	–	<b>1,645</b>	–
Finance costs	<b>(53,019)</b>	–	<b>(53,019)</b>	–
<b>Loss before tax</b>	<b>(5,918,023)</b>	(186,054)	<b>(7,860,527)</b>	(210,642)
Income tax expense	–	41,127	–	41,127
<b>Loss for the period from discontinued operation</b>	<b><u>(5,918,023)</u></b>	<b><u>(144,927)</u></b>	<b><u>(7,860,527)</u></b>	<b><u>(169,515)</u></b>

## 7. (LOSS)/PROFIT FOR THE PERIOD

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$	HK\$	HK\$	HK\$
(Loss)/profit for the period has been arrived at after charging/(crediting):				
<b>Continuing operations</b>				
Depreciation	1,518,609	1,167,134	2,964,381	2,283,849
Impairment of goodwill	–	–	–	3,243,500
Profit on disposal of property, plant and machinery	(12,663)	–	(12,663)	–
Operating lease payments in respect of factories	520,290	494,910	1,040,580	989,820
Employee benefit expense inclusive				
Directors' emoluments	8,809,815	5,787,726	19,448,456	11,783,640
<b>Discontinued operation</b>				
Depreciation	474,274	90,138	1,015,539	90,138
Loss on disposal of property, plant and machinery	1,900,859	–	1,900,859	–
Operating lease payments in respect of factory	295,200	234,000	590,400	234,000
Employee benefit expense inclusive				
Directors' emoluments	444,674	385,868	1,652,403	385,868
Bad debts written off	1,978,608	–	1,978,608	–

## 8. (LOSS)/EARNINGS PER SHARE

### (a) Basic

#### *For continuing and discontinued operations – Basic*

Basic (loss)/earnings per share is calculated by dividing the unaudited (loss)/profit attributable to owners of the Company of HK\$(3,943,910) (2011: HK\$1,892,873) by the weighted average number of ordinary shares of 550,000,000 (2011: 550,000,000) in issue for the three months ended 30 September 2012. Basic (loss)/earnings per share is calculated by dividing the unaudited (loss)/profit attributable to owners of the Company of HK\$(6,775,203) (2011: HK\$2,244,255) by the weighted average number of ordinary shares of 550,000,000 (2011: 506,721,311) in issue for the six months ended 30 September 2012.

***For continuing operations – Basic***

Basic earnings per share for continuing operations is calculated by dividing the unaudited profit attributable to owners of the Company of HK\$193,358 (2011: HK\$2,004,441) by the weighted average number of ordinary shares of 550,000,000 (2011: 550,000,000) in issue for the three months ended 30 September 2012. Basic (loss)/earnings per share for continuing operations is calculated by dividing the unaudited (loss)/profit attributable to owners of the Company of HK\$(1,284,332) (2011: HK\$2,373,035) by the weighted average number of ordinary shares of 550,000,000 (2011: 506,721,311) in issue for the six months ended 30 September 2012.

***For discontinued operation – Basic***

Basic loss per share for discontinued operation is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$4,137,268 (2011: HK\$111,568) by the weighted average number of ordinary shares of 550,000,000 (2011: 550,000,000) in issue for the three months ended 30 September 2012. Basic loss per share for discontinued operation is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$5,490,871 (2011: HK\$128,780) by the weighted average number of ordinary shares of 550,000,000 (2011: 506,721,311) in issue for the six months ended 30 September 2012.

***(b) For continuing and discontinued operations – Diluted***

No diluted (loss)/earnings per share is presented as the Company did not have any potential dilutive ordinary shares outstanding for the three and six months ended 30 September 2012 (2011: Nil).

**9. DIVIDEND**

The Board do not recommend the payment of an interim dividend for the Interim Period (2011: Nil).

**10. PROPERTY, PLANT AND EQUIPMENT**

During the Interim Period, the Group acquired approximately HK\$3,618,000 (2011: approximately HK\$5,154,000) for the additions to property, plant and equipment, and disposed property, plant and equipment for the discontinued operation of copper wires with the aggregate carrying value of approximately HK\$2,934,000.

## 11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$46,006,630 (31 March 2012: HK\$52,924,271).

The majority of the Group's sales are on credit terms after the end of the month up to 120 days. As at 30 September 2012, trade receivables of approximately HK\$9,985,000 (31 March 2012: approximately HK\$13,278,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of trade receivables is as follows:

	(Unaudited) 30 September 2012 HK\$	(Audited) 31 March 2012 HK\$
Not yet due	36,021,860	39,645,776
1 – 30 days past due	8,240,518	11,046,231
31 – 60 days past due	74,263	1,673,071
61 – 90 days past due	1,600,796	35,856
91 – 120 days past due	–	523,337
181 – 365 days past due	69,193	–
Past due but not impaired	9,984,770	13,278,495
	<b>46,006,630</b>	<b>52,924,271</b>

Trade receivables that were past due but not impaired relate to customers that have a good record with the Group or a sound credit quality. Based on past experience and regular credit risk assessment performed on all significant outstanding trade receivables, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and it received some post-dated cheques so that the balances are still considered fully recoverable. The maximum exposure to credit risk at the period end is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral over these balances.

## 12. TRADE AND OTHER PAYABLES

Payment terms granted by suppliers are mainly 30 to 120 days after end of the month in which the relevant purchase occurred.

	(Unaudited) 30 September 2012 HK\$	(Audited) 31 March 2012 HK\$
Trade payables	18,817,624	22,744,199
Other payables	8,523,389	8,955,483
Deposit received	240,000	813,737
Accruals	5,104,785	7,223,179
	<u>32,685,798</u>	<u>39,736,598</u>

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

	(Unaudited) 30 September 2012 HK\$	(Audited) 31 March 2012 HK\$
Not yet due	12,241,337	16,500,860
1 – 30 days past due	4,118,546	6,122,196
31 – 60 days past due	2,440,413	84,859
61 – 90 days past due	8,328	30,204
91 – 180 days past due	9,000	6,080
	<u>18,817,624</u>	<u>22,744,199</u>

### 13. SHARE CAPITAL

	(Unaudited) 30 September 2012 HK\$	(Audited) 31 March 2012 HK\$
<i>Authorised:</i>		
1,000,000,000 (31 March 2012: 1,000,000,000) ordinary shares of HK\$0.001 each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Issued and fully paid:</i>		
550,000,000 (31 March 2012: 550,000,000) ordinary shares of HK\$0.001 each	<u>550,000</u>	<u>550,000</u>

### 14. RESERVES

	(Unaudited)								
	Attributable to owners of the Company							Non- controlling interests HK\$	Total equity HK\$
Share capital HK\$	Share premium HK\$	Statutory reserve HK\$	Other reserve HK\$	Translation reserve HK\$	Retained earnings HK\$	Total HK\$			
Balance at 1 April 2011	–	–	2,181,559	–	–	40,315,837	42,497,396	–	42,497,396
Total comprehensive income/(loss) for the period	–	–	–	–	–	2,244,255	2,244,255	(40,735)	2,203,520
Issue of shares upon placing, net of share of issuance expenses	550,000	29,530,415	–	–	–	–	30,080,415	–	30,080,415
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	4,030	4,030
Transfer to statutory reserve	–	–	108,446	–	–	(108,446)	–	–	–
<b>Balance at 30 September 2011</b>	<u>550,000</u>	<u>29,530,415</u>	<u>2,290,005</u>	<u>–</u>	<u>–</u>	<u>42,451,646</u>	<u>74,822,066</u>	<u>(36,705)</u>	<u>74,785,361</u>
<b>Balance at 1 April 2012</b>	<b>550,000</b>	<b>29,530,415</b>	<b>2,502,035</b>	<b>(191,847)</b>	<b>200,868</b>	<b>30,992,939</b>	<b>63,584,410</b>	<b>835,376</b>	<b>64,419,786</b>
Total comprehensive loss for the period	–	–	–	–	–	(6,775,203)	(6,775,203)	(2,369,656)	(9,144,859)
Transfer to statutory reserve	–	–	163,809	–	–	(163,809)	–	–	–
<b>Balance at 30 September 2012</b>	<u>550,000</u>	<u>29,530,415</u>	<u>2,665,844</u>	<u>(191,847)</u>	<u>200,868</u>	<u>24,053,927</u>	<u>56,809,207</u>	<u>(1,534,280)</u>	<u>55,274,927</u>

## 15. COMMITMENTS

### (a) Lease commitments

At 30 September 2012, the total future minimum lease payments of the Group under non-cancellable operating leases in respect of the factories in the PRC were payable as follows:

	(Unaudited) 30 September 2012 HK\$	(Audited) 31 March 2012 HK\$
– within one year	3,027,672	4,127,073
– in the second to fifth years inclusive	3,682,016	9,586,556
– over fifth years	–	344,400
	<u>6,709,688</u>	<u>14,058,029</u>

### (b) Capital commitments

The Group's capital commitments for property, plant and equipment contracted but not provided for amounted to approximately HK\$426,000 (unaudited) at 30 September 2012 (31 March 2012: approximately HK\$380,000 (audited)).

## 16. EVENT AFTER THE REPORTING PERIOD

On 21 September 2012, the Group entered into the provisional sale and purchase agreements with independent third parties respectively and conditionally agreed to dispose the Group's leasehold land and buildings at an aggregate consideration of HK\$6,512,400 (the "Disposals"), which would be completed on or before 30 November 2012. An unaudited estimated gain on the Disposals would be approximately HK\$4,902,000 (before deducting the relevant expenses and tax) upon the completion of the Disposals. The net proceeds from the Disposals will be used for the repayment of the bank borrowings of the Group in order to reduce its financial costs and increase the general working capital of the Group.

## 17. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 30 September 2012 and 31 March 2012.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

In the first half of 2012, the Group continued to execute its growth strategy in order to contain the impact of uncertain global economies. Digital communications industry, however, is still expanding which provides good opportunities for the Group to seize the market. For the Interim Period, the turnover of the Group was approximately HK\$83.4 million representing an increase of approximately 17% from approximately HK\$71.2 million for the six months ended 30 September 2011 (the “Previous Corresponding Period”). The increase in the turnover was mainly due to increase in the segment turnover of power and data cords for mobile handsets, and the segment turnover of copper wires. For the Interim Period, the loss of the Group attributable to owners of the Company was approximately HK\$6.8 million (2011: profit of approximately HK\$2.2 million) which was mainly due to (i) 70% share of the operating loss of approximately HK\$7.9 million arising from the business segment of copper wires which had been ceased since late September 2012 that incurred a further write-off of assets of approximately HK\$2.5 million; (ii) the decrease of the profit margin as a result of the intensified market competition under the global economic downturn; and (iii) the increased staff costs partly due to the increasing minimum wage level of the staff in the PRC.

The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 September 2012.

## Business Review

For the Interim Period, the Group’s turnover 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 accounted for approximately 18%, 67%, 1% and 13% (2011: approximately 35%, 61%, 4% and 0%) 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 86% (2011: approximately 81%) of the total turnover of the Group for the Interim Period. The remaining of turnover of approximately 14% (2011: approximately 19%) for the Interim Period was contributed by customers from other overseas markets, including the United States.

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

For the Interim Period, the Group's turnover from power cords and inlet sockets for household electric appliances was approximately HK\$15.4 million (2011: approximately HK\$25.0 million), representing a decrease of approximately 38% from the Previous Corresponding Period, which accounted for approximately 18% (2011: approximately 35%) 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 the products can fulfill the expectations and requirements of customers and benefit the Group's business expansion in the long run.

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

For the Interim Period, the Group's turnover from power and data cords for mobile handsets was approximately HK\$46.2 million (2011: approximately HK\$32.9 million), representing an increase of approximately 40% from the Previous Corresponding Period, which accounted for approximately 55% (2011: approximately 46%) 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 telecommunications 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 speed and audiovisual output quality. All our devices conform to the standard of mobile handset design set by USB Implementers Forum, Inc..

For the Interim Period, turnover from power and data cords for medical control devices was approximately HK\$9.7 million (2011: approximately HK\$10.8 million), representing a decrease of approximately 10% from the Previous Corresponding Period, which accounted for approximately 12% (2011: approximately 15%) of the total turnover of the Group.

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

### *Raw Cables*

For the Interim Period, turnover from raw cables was approximately HK\$0.8 million (2011: approximately HK\$2.5 million), representing a decrease of approximately 68% from the Previous Corresponding Period, which accounted for approximately 1% (2011: approximately 4%) of the total turnover of the Group. The decrease in turnover from raw cables was mainly due to the Group's change of strategy to concentrate on integrated products with connectors rather than 2-pin raw cables. The Group is also engaged in the manufacturing of raw cables using halogen-free insulation materials as they are more environmentally and are able to adapt to the changing needs and requirements of the market.

### *Copper wires*

For the Interim Period, turnover from copper wires was approximately HK\$10.6 million (2011: HK\$nil) and accounted for approximately 13% of the total turnover of the Group. Copper rods are purchased and processed to copper wires for sale. Due to the business unit not having been achieved economies of scale in the near term and having incurred a significant operating loss, the Group streamlined this business during the Interim Period by ceasing the operation since late September 2012. Looking forward, the Group will focus on its existing business and new business of electric wire and cable's machinery engineering.

### **Outlook**

Macro-economic uncertainties are expected to continue during 2013. Taking into account the fast growth of the telecommunication and smartphone market, the mobile phone manufacturing industry in the PRC is full of potential and the manufactured mobile phone volume exported from the PRC is expected to reach 1 billion in 2012. As a result, a substantial increase in demand for mobile handset accessories is expected. In order to grasp the vast opportunities and maximize the interest of the Group and its shareholders, the Group established a new production plant in Hunan Province in the PRC which focuses on the production of power and data cords for mobile handsets. The production capacity shall be expanded to cater for the sales demand for mobile handset accessories globally as well as domestically for the PRC market.

Looking ahead, the business in the PRC market is expected to continually increase in the future. At the same time, the Southeast Asian smartphone and related mobile handset accessories market is booming and the consumption is expected to reach 163 million pieces in 2015. The Group will invest in customer network enhancement in Southeast Asia region and expect to capture potential revenue therein. In light of the high volatility of the equity market and uncertainties of the global economy, the Group announced on 8 November 2011 and 19 September 2012 respectively the proposed adjustment of use of net proceeds from the placing of shares of the Company as previously set out in the prospectus of the Company dated 6 May 2011 (the "Prospectus"). Part of the net proceeds of approximately HK\$23 million was adjusted as stated in these announcements and retained as working capital of the Group and for expansion of

domestic sales channel in the PRC and the other overseas regions, especially Southeast Asia. The Group believes that such expansion in the clientele and marketing network would help to increase the profitability of the Group.

### **Employees' remuneration policy**

As at 30 September 2012, the Group employed 763 (31 March 2012: 941) full time employees mainly in the PRC and Hong Kong. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and individuals' qualifications and performance. Employee benefits include medical schemes, mandatory provident fund scheme for Hong Kong employees, and central pension schemes operated by the local municipal governments for employees in the PRC. The Group also provides training programs for our employees to equip them with the requisite skills and knowledge and offer a share option scheme to recognise the employees who make significant contributions to the Group.

Total staff costs (including Directors' remuneration) for the Interim Period amounted to approximately HK\$21.1 million (2011: approximately HK\$12.2 million).

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

As at 30 September 2012, the indebtedness of the Group was approximately HK\$18.2 million (31 March 2012: approximately HK\$26.1 million). The borrowings are denominated in Hong Kong dollars. The Group had bank and cash balances of approximately HK\$8.3 million (31 March 2012: approximately HK\$19.9 million).

As at 30 September 2012, the ratio of current assets to current liabilities of the Group was approximately 1.33 (31 March 2012: approximately 1.34), and the gearing ratio of the Group was approximately 15.1% (31 March 2012: approximately 8.7%). Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the condensed consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'Equity' as shown in the condensed consolidated statement of financial position plus net debt.

Details of the capital structure of the Company as at 30 September 2012 are set out in note 13 to the unaudited interim results announcement.

Commitments of the Group as at 30 September 2012 are set out in note 15 to the unaudited interim results announcement.

## **Exposure to foreign exchange risk**

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

## **Pledge of assets**

As at 30 September 2012, the Group’s following assets are pledged to secure its bank borrowings:

- a) The Group’s leasehold land and buildings with an aggregate carrying value of approximately HK\$6,111,000 (31 March 2012: approximately HK\$6,199,000);
- b) Pledge of the Group’s bank deposits with an aggregate carrying value of approximately HK\$5,510,000 (31 March 2012: approximately HK\$5,510,000); and
- c) Corporate guarantees provided by the Company and its subsidiaries.

## **Significant disposals**

On 21 September 2012, the Group entered into the provisional sale and purchase agreements with independent third parties respectively and conditionally agreed to dispose the Group’s leasehold land and buildings at an aggregate consideration of HK\$6,512,400, which would be completed on or before 30 November 2012. An unaudited estimated gain on the Disposals would be approximately HK\$4,902,000 (before deducting the relevant expenses and tax) upon the completion of the Disposals. The net proceeds from the Disposals will be used for the repayment of the bank borrowings of the Group in order to reduce its financial costs and increase the general working capital of the Group.

Due to economies of scale not having achieved in the near term and having incurred a significant operating loss of the copper wire business, the Group streamlined this business during the Interim Period by ceasing the operation since late September 2012 that incurred a further write-off of assets of approximately HK\$2.5 million.

## **CORPORATE GOVERNANCE PRACTICES**

During the Interim Period, the Company had complied with the code provisions in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the “CG Code”) with the exception of the CG 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.

The Board is of the view that the Chairman has thorough understanding and expertise regarding the business operations of the Group and thus enabling him to make appropriate decisions in a timely manner which is in the interests of the shareholders of the Company as a whole. The other reasons for such deviation were set out in the Corporate Governance Report of the Company’s annual report for the year ended 31 March 2012 published on 25 June 2012.

## **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 Interim Period.

## **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) is or was 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 Interim Period.

## USE OF PROCEEDS

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

	<b>Proposed total use of proceeds as stated in the Prospectus HK\$'000</b>	<b>Proposed use of proceeds up to 30 September 2012 HK\$'000</b>	<b>Actual use of proceeds up to 30 September 2012 HK\$'000</b>
Construction of new production plant and enhancement of production utilization ( <i>Note</i> )	23,000	–	–
Product development	3,000	3,000	3,000
Expansion of market coverage	2,000	1,800	1,462
Subtotal	28,000	4,800	4,462
Working capital ( <i>Note</i> )	1,600	24,600	20,000
Total	<u>29,600</u>	<u>29,400</u>	<u>24,462</u>

*Note:* In order to increase the Group’s financial flexibility and better utilize the financial resources of the Group in preparation for the uncertain financial and economic environment, the Group announced on 8 November 2011 and 19 September 2012 respectively the proposed adjustment of use of net proceeds from the placing of shares of the Company as previously set out in the Prospectus. Part of the net proceeds of approximately HK\$23 million was adjusted as stated in these announcements and retained as working capital of the Group and for expansion of domestic sales channel in the PRC and other overseas regions, especially Southeast Asia. The Group believes that such expansion in clientele and marketing network would help to increase the profitability of the Group.

## **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 half-year results for the Interim Period. In addition, the Group's external auditors have reviewed the unaudited condensed consolidated interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **INTERESTS OF OTHER PERSONS**

So far as is known to any Directors or chief executive of the Company, as at 30 September 2012, 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 Securities and Futures Ordinance.

## **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 2012. 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**

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

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

Hong Kong, 12 November 2012

*As at the date of this announcement, the executive Directors are Mr. Yeung Tin Hung, Mr. Yeung Shing Wai and 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.*