

Fairson Holdings Limited

鈺皓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8132)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2012

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This announcement, 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 this announcement 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 announcement misleading.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 30 June 2012 (the “Financial Period”), the turnover of the Company and its subsidiaries (together the “Group”) was approximately HK\$45.7 million representing an increase of approximately 37.2% from approximately HK\$33.3 million for the three months ended 30 June 2011 (the “Previous Corresponding Period”). The increase in the turnover was mainly due to an increase in the segment turnover of copper wires. For the Financial Period, the loss of the Group attributable to equity holders of the Company was approximately HK\$2.8 million, representing a significant change compared to the profit for the Previous Corresponding Period of approximately HK\$0.35 million. This significant change was mainly due to (i) the decrease in the gross profit margin as a result of the increasing market competition under the global economic downturn; (ii) the operating loss in the manufacturing and sale of copper wires which have yet to achieve economies of scale; and (iii) the increased staff costs partly due to the increasing minimum wage level of the staff in the People’s Republic of China (the “PRC”).

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

Business Review

For the Financial 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%, 59%, 1% and 20% (2011: approximately 35%, 61%, 3% 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 87% (2011: approximately 75%) of the total turnover of the Group for the Financial Period. The remaining turnover of approximately 13% (2011: approximately 25%) for the Financial Period was contributed by customers from other overseas markets, including the United States.

Power cords and inlet sockets for household electric appliances

For the Financial Period, turnover from power cords and inlet sockets for household electric appliances was approximately HK\$8.1 million (2011: approximately HK\$11.7 million), representing a decrease of approximately 30.8% 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, part of these products also satisfied 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.

Power and data cords for mobile handsets and medical control devices

For the Financial Period, the turnover from power and data cords for mobile handsets was approximately HK\$22.1 million (2011: approximately HK\$16.7 million), representing an increase of approximately 32.3% from the Previous Corresponding Period, which accounted for approximately 48% (2011: approximately 50%) 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 the 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 Financial Period, turnover from power and data cords for medical control devices was approximately HK\$5 million (2011: approximately HK\$3.7 million), representing an increase of approximately 35.1% from the Previous Corresponding Period, which accounted for approximately 11% (2011: approximately 11%) 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 Financial Period, turnover from raw cables was approximately HK\$0.5 million (2011: approximately HK\$1.1 million), representing a decrease of approximately 54.5% from the Previous Corresponding Period, which accounted for approximately 1% (2011: approximately 3%) 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 friendly and are able to adapt to the changing needs and requirements of the market.

Copper wires

For the Financial Period, turnover from copper wires was approximately HK\$9.3 million (2011: Nil) and accounted for approximately 20% (2011: Nil) of the total turnover of the Group. Copper rods are purchased and processed into copper wires for sale. In addition, the Group subcontracted for the customers to add a tin coating on the copper wires upon their requests. The copper wire business of the Group has still yet to achieve economies of scale, and the Group targets to improve the financial performance of the copper wire business by restructuring its operation and marketing strategy which in turn will improve its production efficiency, reduce the cashflow burden for purchase of copper wires, put more effort on the processing of copper wires and lower its operating cost to improve its profitability.

Outlook

As the telecommunication industry in the PRC keeps expanding and flourishing, the Group continues to focus on the PRC market and grasp such vast opportunities. Taking into account the great demand for telecommunication devices and mobile handset accessories, the Group shall expand the production and sales capability in power and data cords for mobile handset products, particularly the new micro-USB connector, which is much welcomed by the market.

As a well recognized supplier to international mobile handset manufacturers and a high-quality manufacturer of power and data cords in the industry, the Group will substantially uphold its competitive edge by allocating more resources on the research and development of the relative products. By enhancing the data transmission speed and audiovisual output quality in power and data cords for mobile handsets, the Group believes that it can help broaden its product portfolio and enhance its competitiveness in the industry.

Looking ahead, the Group will endeavor to strengthen its market position by devoting itself to the development, manufacture and sale of new products to meet market demands. At the same time, the Group aims to expand its clientele base by adopting aggressive marketing strategies while consolidating its current customers. In order to attract new clienteles, such as some renowned mobile handset manufacturers, the Group shall participate in various audiovisual and electronic products exhibitions and trade fairs to explore more opportunities in near future. The Group believes that such expansion in clientele and marketing network would improve the profitability of the Group.

FIRST QUARTERLY UNAUDITED RESULTS

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2012

	<i>Note</i>	2012 HK\$	2011 <i>HK\$</i>
Turnover	2	45,665,406	33,270,582
Cost of sales		<u>(40,951,630)</u>	<u>(28,173,142)</u>
Gross profit		4,731,776	5,097,440
Other gains/(losses) – net	3	218,240	(196,636)
Selling expenses		(1,046,957)	(1,233,040)
Administrative expenses		<u>(6,944,273)</u>	<u>(3,092,269)</u>
Operating (loss)/profit		(3,059,214)	575,495
Finance income		6,817	1,422
Finance costs		<u>(233,835)</u>	<u>(146,909)</u>
(Loss)/profit before income tax		(3,286,232)	430,008
Income tax expense	4	<u>(133,962)</u>	<u>(86,002)</u>
(Loss)/profit and total comprehensive (loss)/income for the period		<u>(3,420,194)</u>	<u>344,006</u>
(Loss)/profit and total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(2,831,293)	351,382
Non-controlling interest		<u>(588,901)</u>	<u>(7,376)</u>
		<u>(3,420,194)</u>	<u>344,006</u>
(Loss)/earnings per share attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– Basic and diluted	5	<u>(0.5)</u>	<u>0.1</u>
Dividend		<u>–</u>	<u>–</u>

NOTES TO THE FIRST QUARTERLY UNAUDITED RESULTS

1. BASIS OF PREPARATION

The first quarterly unaudited 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 first quarterly unaudited consolidated financial statements are consistent with those adopted in the preparation of the Group’s financial statements for the year ended 31 March 2012.

The HKICPA has issued a number of new and revised HKFRSs. For those which are relevant to its operations and effective for its accounting period beginning on 1 April 2012, the adoption has no significant changes on the Group’s accounting policies, the presentation and 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

Turnover represents the aggregate of revenue 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 others, after elimination of all significant inter-segment transactions between Group companies.

3. OTHER GAINS/(LOSSES) – NET

	2012	2011
	HK\$	HK\$
Foreign exchange gain/(loss), net	4,723	(236,724)
Fair value gain on financial assets at fair value through profit or loss	–	10,093
Sundry income	213,517	29,995
	218,240	(196,636)

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the Financial Period (2011: 16.5%). The PRC corporate income tax is provided at the rate of 25% for the Financial Period (2011: 25%).

5. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the unaudited (loss)/profit attributable to equity holders of the Company of HK\$(2,831,293) (2011: HK\$351,382) by the weighted average number of ordinary shares of 550,000,000 (2011: 462,967,033) in issue for the Financial Period.

(b) Diluted

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

6. DIVIDEND

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

7. RESERVES

	Attributable to equity holders of the Company							Non-controlling interest	Total
	Share Capital	Share premium	Statutory reserve	Other reserve	Translation reserve	Retained earnings	Total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at 1 April 2011	3,000,000	–	2,181,559	–	–	37,315,837	42,497,396	–	42,497,396
Profit and total comprehensive income for the period	–	–	–	–	–	351,382	351,382	(7,376)	344,006
Reorganisation	(2,615,000)	2,615,008	–	–	–	–	8	–	8
Issue of shares	165,000	30,654,047	–	–	–	–	30,819,047	–	30,819,047
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	30	30
Transfer to statutory reserve	–	–	17,200	–	–	(17,200)	–	–	–
Balance at 30 June 2011	<u>550,000</u>	<u>33,269,055</u>	<u>2,198,759</u>	<u>–</u>	<u>–</u>	<u>37,650,019</u>	<u>73,667,833</u>	<u>(7,346)</u>	<u>73,660,487</u>
Balance at 1 April 2012	550,000	29,530,415	2,502,035	(191,847)	200,868	30,992,939	63,584,410	835,376	64,419,786
Loss and total comprehensive loss for the period	–	–	–	–	–	(2,831,293)	(2,831,293)	(588,901)	(3,420,194)
Transfer to statutory reserve	–	–	81,845	–	–	(81,845)	–	–	–
Balance at 30 June 2012	<u>550,000</u>	<u>29,530,415</u>	<u>2,583,880</u>	<u>(191,847)</u>	<u>200,868</u>	<u>28,079,801</u>	<u>60,753,117</u>	<u>246,475</u>	<u>60,999,592</u>

8. CAPITAL COMMITMENTS

Capital expenditure contracted for but not yet incurred as at 30 June 2012 and 31 March 2012 is as follows:

	30 June 2012	31 March 2012
	HK\$	HK\$
	(Unaudited)	(Audited)
Property, plant and equipment	<u>201,000</u>	<u>380,000</u>

9. CONTINGENT LIABILITIES

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

COMPETING INTERESTS

Neither 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 30 June 2012, 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 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	Percentage of shareholding in the Company
Mr. Yeung Tin Hung	Settlor of a discretionary trust (Note)	385,000,000	70%
Mr. Yeung Shing Wai	Beneficiary of a trust (Note)	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 shares held	Percentage of shareholding in the Company
Mr. Yeung Tin Hung	Race Champion Holdings Limited	Settlor of a discretionary trust <i>(Note)</i>	2 shares	100%
Mr. Yeung Shing Wai	Race Champion Holdings Limited	Beneficiary of a trust <i>(Note)</i>	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 deemed to be an associated corporation 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.

Saved as disclosed above, as at 30 June 2012, 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 30 June 2012, the following entities or persons (not being a Director or chief executive of the Company) had an interests and short positions 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:

Long positions in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Equity Trust (Singapore) Ltd.	Trustee	385,000,000	70%
Race Champion Holdings Limited	Interest in a controlled corporation	385,000,000	70%
Fairson Holdings (BVI) Limited	Registered owner	385,000,000	70%
CNI Capital Ltd	Beneficial owner	43,340,000	7.88%

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. 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.

SHARE OPTION SCHEME

The Company has a share option scheme (the “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.

As at the date of this announcement, the Company had not granted any option to the participants under the Scheme and there were no outstanding share options under the Scheme.

INTERESTS OF OTHER PERSONS

So far as is known to any Director or chief executive of the Company, as at 30 June 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 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 first quarterly unaudited consolidated results for the Financial Period and has provided advice and comments thereon.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Quam Capital Limited (“Quam”), the compliance adviser of the Company, neither Quam nor any of its directors, employees or associates (as referred to in Rule 6A.32 of the GEM Listing Rules) had any interests in the securities of the Company, or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company as at 30 June 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 Financial Period.

By order of the Board
Yeung Tin Hung
Chairman

Hong Kong, 13 August 2012

As at the date of this announcement, the executive Directors are Mr. Yeung Tin Hung, Mr. Yeung Shing Wai, Mr. Zhou Yu Hui 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.