Web Proof Information Pack of

FAIRSON HOLDINGS LIMITED

鉦皓控股有限公司

(incorporated in the Cayman Islands with limited liability)

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This Web Proof Information Pack contains the following information relating to the Company:–

YOU SHOULD READ THE SECTION HEADED "WARNING" ON THE COVER OF THIS WEB PROOF INFORMATION PACK.

OVERVIEW

Introduction

The Group is principally engaged in the manufacture and sale of power and data cords. Its four key product groups are (i) power and data cords for mobile handsets; (ii) medical control devices; (iii) power cords and inlet sockets for household electric appliances; and (iv) raw cables. Each product group has its own types of products. During the Track Record Period, the Group manufactured over 40 types of power and data cord for mobile handsets, and over 450 types of power cords and inlet sockets for household electric appliances. The Group is also engaged in the manufacture and sale of raw cables without connector plugs for mobile handsets and the assembly and sale of medical control devices which are used primarily by patients in hospital wards and the related accessories.

Summarised below is the turnover of the Group by product segment during the Track Record Period:

	For the year ended 31 March				For the nine months ended 31 December			
	2009		2010		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Power and data cords for mobile handsets	53,430	29.0	63,834	39.9	46,916	38.9	68,228	54.2
Medical control devices	15,148	8.2	17,261	10.8	12,212	10.1	14,028	11.1
Power cords and inlet sockets for household electric appliances	50,116	27.2	43,934	27.5	30,472	25.2	32,822	26.1
Raw cables	57,212	31.0	29,204	18.2	25,946	21.5	9,423	7.5
Others	8,501	4.6	5,779	3.6	5,210	4.3	1,405	1.1
Total	184,407	100.0	160,012	100.0	120,756	100.0	125,906	100.0

Customer Base

The Group's key customers in the power and data cord segment during the Track Record Period include overseas listed companies, which manufacture on an OEM basis, mobile handset components for various internationally renowned mobile handset providers. The Group has obtained UL certification for some of its power and data cords for mobile handsets. The Group has also commenced and recorded sales of 5-pin micro-USB power and data cords for mobile handsets amounting to HK$12.7 million for the nine months ended 31 December 2010.

The power cords and inlet sockets manufactured and sold by the Group are for household electric appliances including lighting appliances and television set-top boxes. The Group has obtained safety approvals and certificates issued by product testing and certification organisations of various countries including UL, CSA, VDE, KEMA, FIMKO, DEMKO, BS, SEMKO, NEMKO, OVE, SEV, CCC, PSE and SAA for the power cords and inlet sockets which it manufactures.

The medical control devices, in particular, the pillow speakers manufactured and sold by the Group, are bedside multi-function devices used to facilitate a patient's emergency communication and control of equipment such as television, lighting and temperature in a ward. They are sold and delivered in the form of dismantled parts and components to customer for further assembly and processing into the final products. Testing will also be conducted by the customer to ensure that the final products comply with the relevant US regulatory requirements.

Two out of the top five customers of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, are the suppliers of one of the renowned international mobile handset providers. Sales to the Group's top five customers which amounted to HK$138.5 million, HK$112.2 million and HK$97.2 million for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 accounted for approximately 75.1%, 70.0% and 77.2%, respectively, of the total revenue of the Group during the relevant periods.

Customers provide their specific requirements to the Group's sales and marketing department which would have specific sales teams assigned to handle these requirements. These sales teams act as coordinators between the customers and different departments of the Group; and closely monitor product development by delivering the specific requirements of the customers to the product development department for product manufacturing, product testing and quality control.

History and Development

SunFair Industrial was incorporated in May 2009 with 50% interests held by each of Mr. Yeung and Mr. Li. The Group's raw cable business was transferred to SunFair Industrial in order to recognise the past contributions of Mr. Young and Mr. Li to the Group. The 50% interests in SunFair Industrial of Mr. Li also serves as an incentive for him for performing the sales and marketing function of the Group. It was the intended business strategy of the Group to co-develop SunFair Industrial with Mr. Li and develop SunFair Industrial as a corporate brand of the Group's raw cable business. During the Track Record Period, the Group had entered into various transactions with SunFair Industrial including but not limited to sales and purchases of raw cables, provision of management service and recharge of expenses.

To consolidate control of future raw cable business development, the Group acquired the 50% interests from Mr. Li in May 2010 at a consideration of HK$10,000,000, which was determined with reference to the independent business valuation (estimated by the independent valuer, Ample Appraisal Limited) based on the Directors' best estimate on SunFair Industrial's future income stream. SunFair Industrial will focus on the raw cable business, in particular, the manufacture and sale of 19-pin mini-HDMI and 5-pin micro-USB cables for mobile handset products after it has become wholly owned by the Group. Please refer to the paragraph headed "SunFair Industrial" in the section headed "Business" in this document.

Suppliers

Major raw materials of the Group include copper wires, plastic powder and non-ferrous metal connectors. Most of the raw materials are sourced from two or more suppliers that are able to provide customised materials according to the Group's specifications. Since the incorporation of SunFair Industrial in May 2009, the Group has been purchasing raw cables from it for the production of power and data cords and the trading of raw cables. The Group purchased raw cables which amounted to HK$37.4 million and HK$6.5 million from SunFair Industrial for the year ended 31 March 2010 and the two months ended 31 May 2010, respectively. The financial results of SunFair Industrial were consolidated with those of the Group after 31 May 2010. The Group also procured raw cables from Independent Third Party suppliers which amounted to HK$29.6 million, HK$17.0 million and HK$[11.6] million for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively. The Group had three, six and five Independent Third Party raw cable suppliers for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively. The Group's purchases of raw cables from its top five suppliers amounted to approximately HK$59.7 million, HK$64.0 million and HK$32.6 million for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, which accounted for approximately 37.7%, 51.4% and 49.3%, respectively, of the total cost of sales of the Group for the same periods.

The gross profit and gross profit margin of power and data cords for the mobile handset and medical control device segments cannot be ascertained with reasonable accuracy due to absence of a fair cost allocation basis as a result of (i) unallocatable and common direct labour cost; and (ii) unallocatable and common utilities costs.

Production Facilities

The Group's production facilities are located in Shenzhen, within the Pearl River Delta region and one of the major manufacturing centers of the PRC. Most of the Group's major customers and suppliers are located or focus their sourcing, in this region. The Directors believe that the Group's geographic proximity to its key customers and suppliers enables it to provide timely response and better service in terms of lower transportation costs, minimised inventory storage, more convenient material procurement, technical support and closer collaboration.

Research and Development

In light of the development of technology, customers' demand for high quality products and advanced products specifications, the Directors believe that continual technological advancement is essential to the Group's future success. As such, the Group has established a product development department which co-develops power and data cords with the Group's customers by providing design and engineering support based on the customers' needs and requirements.

COMPETITIVE STRENGTHS

The Directors believe that the competitive strengths of the Group as set out below have driven growth in its net profit and distinguished it from its competitors in the power and data cord industry.

- Ultimate supplier to some of the internationally renowned mobile handset providers
- Product quality recognised by customers
- Experience and technical expertise of senior management

- Geographic proximity to key customers and suppliers

STRATEGIES AND BUSINESS OBJECTIVES

The Group endeavours to become a leading manufacturer of power and data cords and to enhance return to the Shareholders through capitalising on its competitive edges for sustainable growth. To achieve this goal, the Group intends to adopt and implement the following business strategies:

- Construct new production plant and enhance production utilization

- Develop, manufacture and sell new products i.e. mini-HDMI and micro-USB raw cable

- Expand clientele and sales network

SUMMARY FINANCIAL INFORMATION

The following is a summary of the Group's combined results for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010, which is derived from the Accountant's Report set out in Appendix I to this document. The summary financial data should be read in conjunction with the combined financial information in the Accountant's Report set out in Appendix I to this document.

Combined income statements

	For the year ended 31 March		For the nine months ended 31 December	
	2009	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	184,407	160,012	120,756	125,906
Cost of sales	(158,399)	(124,417)	(94,311)	(99,371)
Gross profit	26,008	35,595	26,445	26,535
Other (losses)/gains – net	(113)	15,961*	15,199*	5,932
Selling expenses	(8,686)	(4,034)	(3,192)	(3,585)
Administrative expenses	(8,186)	(18,253)*	(16,717)*	(9,857)
Operating profit	9,023	29,269	21,735	19,025
Finance income	103	4	3	42
Finance costs	(1,118)	(743)	(584)	(609)
Share of profit of a jointly controlled entity	–	–	–	47
Profit before income tax	8,008	28,530	21,154	18,505
Income tax expense	(1,071)	(4,520)	(3,605)	(2,138)
Profit and total comprehensive income for the year/period	6,937	24,010	17,549	16,367

* The administrative expenses and other gains-net include non-recurring employee benefits of approximately HK$13.8 million and a gain of approximately HK$13.8 million relating to the deemed disposal of raw cable business to SunFair Industrial. Such expenses and gains were offset by each others and there was no financial impact to the Group.

The revenue of the Group decreased by 13.2% from approximately HK$184.4 million for the year ended 31 March 2009 to approximately HK$160.0 million for the year ended 31 March 2010 while the gross profit recorded an increase from approximately HK$26.0 million to approximately HK$35.6 million during the same periods. The improvement in gross profit margin during the periods was mainly due to the increase in gross profits in power and data cord for mobile handsets and medical control device businesses. For the nine months ended 31 December 2009 and 2010, the gross profit of the Group amounted to approximately HK$26.4 million and approximately HK$26.5 million, respectively. The slight decrease in gross profit margin for the nine months ended 31 December 2010 was mainly due to the change of product mix. Please refer to the paragraph headed "Gross profit and gross profit margin" in the section headed "Financial Information" in this document.

The net profit increased from approximately HK$6.9 million for the year ended 31 March 2009 to approximately HK24.0 million for the year ended 31 March 2010. The increase of the net profit was mainly due to the (i) increase in gross profits and (ii) the decrease of selling expenses as a result of a lower commission percentage for the year ended 31 March 2010. The significant increase of administrative expenses for the year ended 31 March 2010 was a result of the employee compensation amount of approximately HK$13.8 million, which was offset by the reciprocal gain on deemed disposal of the raw cable business to Sunfair Industrial amounting to approximately HK$13.8 million in other gains-net. Please refer to the paragraphs headed "Other gains/(losses) – net" and "Administrative expenses" in the section headed "Financial Information" in this document for further details.

For the nine months ended 31 December 2009 and 2010, the net profit of the Group amounted to approximately HK$17.5 million and approximately HK$16.4 million, respectively. The decrease of the net profit was attributable to the increase of direct labour cost and the increase of subcontracting fee. During the nine months ended 31 December 2010, there was a goodwill impairment of approximately HK$3.2 million which was offset by the fair value gain of approximately HK$5.5 million on the Group's previously held 50% interests in SunFair Industrial. Please refer to the paragraphs headed "Other gains/(losses) – net" and "Administrative expenses" in the section headed "Financial Information" in this document for further details.

DIVIDEND AND DIVIDEND POLICY

For the nine months ended 31 December 2010, SunFair HK declared and paid an interim dividend in the sum of HK$10 million. The amount was fully settled as at the Latest Practicable Date. Save for the above, none of the members of the Group declared or paid any dividend during the Track Record Period. For the purpose of business development, the undistributed profits for the year ended 31 March 2011 will be retained and will not be distributed.

The Group currently do not have a fixed dividend policy. The recommendation for payment and amount of dividends is at the discretion of the Directors and will be dependent upon the Group's earnings, financial condition, cash requirements and availability, the provision of relevant law and such other factors as the Directors may from time to time consider being relevant.

RISK FACTORS

There are certain risks involved in our business and operations and in connection with [●]. Such risks can be categorized into (i) risks relating to the business; (ii) risks relating to the industry; and (iii) risks relating to business operations in the PRC. Please refer to the section headed "Risk Factors" in this document for further details.

Risks relating to the business

- The Group heavily relies on a single production base in Baoan District, Shenzhen, the PRC. Any disruption to the Group's production at such production base could materially and adversely affect its business, financial condition and results of operations
- The Group may not be able to continue to occupy and use its current production base
- The new production plant of the Group may not be utilised at a rate comparable to its current production base
- There are risks associated with the Group's reliance on its subcontractor
- Reliance on sales consultants
- Net current liabilities of the Group as at 31 March 2009
- Sustainability of the Group's profitability in future
- The Group is dependent on its major customers, and the revenue, cash flow, working capital position, financial condition and operating results could decline significantly if any of them reduces its purchases of, or fails to pay for, the Group's products
- Lack of long-term purchase orders or commitments from customers
- The sales patterns of the Group in the past may not be indicative of its future sales
- The Group's business is dependent in part on the continuing outsourcing in the mobile handset and medical control device industries
- The Group failed to comply with the PRC rules and regulations in relation to social insurance during the Track Record Period
- The Group failed to comply with the PRC rules and regulations in relation to housing provident fund during the Track Record Period
- The Group's success relies to a large extent on its intellectual property rights, and failure to protect such intellectual property rights may affect its ability to compete
- Potential competition from a former business partner after expiry of non-competition period

- The Group may experience delays or defaults in collecting trade receivables from its customers, which may adversely affect its cash flow, working capital position, financial condition and operating results

- The Group's margins and profitability may be adversely affected if it is unable to reduce costs or if the prices of its products decline sharply

- The Group is exposed to risks associated with the cost and supply of major materials procured from its suppliers

- The Group's business may be affected by fluctuation in the price of raw materials

- The cost structures of the Group during the Track Record Period may not be indicative of its costs in future

- No assurance that future business plans will materialise

- The Group may not be able to successfully develop new production processes or new products including micro-USB and mini-HDMI power and data cards

- The Group's mini-HDMI products may not pass certain HDMI compliance tests

- The Group's products are required to meet industry technical standards or governmental safety requirements and its customers place significant emphasis on product quality and reliability in selecting their suppliers. As a result, if the Group's products experience quality deficiency issues, its business, results of operations and financial condition could be materially and adversely affected

- If the inventories of the Group become obsolete, the future performance and operating results of the Group will be adversely affected

- Reliance on key management personnel could adversely affect the operations of the Group

- The Group maintains limited insurance coverage which may not cover the Group's operations and losses

- The Group faces risks relating to foreign currency exchange rates

- The operating results of the Group may fluctuate from period to period

- The Group may require additional capital in future, which may not be available or may only be available on unfavorable terms

Risks relating to the industry

- The industry is subject to economic and market conditions. The global financial markets have recently experienced significant deterioration and volatility, and, as a result, may adversely affect the Group's business operations
- The Group operates in a highly competitive industry

Risks relating to business operations in the PRC

- Changes in foreign exchange regulations may adversely affect the Group's financial condition and results of operations and its ability to pay dividends
- Political and economic policies of the PRC government could affect the business and results of operations of the Group
- The Group is subject to risks associated with the PRC legal system
- A shortage of electricity supply in the PRC would affect the Group's production and affect its business and financial performance
- Any future outbreaks of contagious diseases in the PRC may have a material adverse effect on the business operations, financial condition and results of operations of the Group
- The labour costs of the Group may increase for reasons such as the implementation of the Labour Contract Law of the PRC or unrest or a labour shortage in the places where the Group operates
- Impact of New Corporate Income Tax Law and Cessation of Tax Incentives
- SunFair HK is subject to withholding tax on dividends received from SunFair SZ thus the ability to pay dividends to the Shareholders by the Company may be affected
- The corporate structure may restrict the ability of the Company to receive dividends from, and transfer funds to, its PRC subsidiary, which could restrict its ability to act in response to changing market conditions in a timely manner
- Failure to comply with environmental regulations could harm the Group's business

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings:

"Able One"	Able One Investments Limited, a company incorporated on 9 March 2010 in the BVI with limited liability, a direct wholly-owned subsidiary of the Company
"Articles" or "Articles of Association"	the articles of association of the Company adopted by resolutions of the sole Shareholder on 27 April 2011 and as amended from time to time, a summary of which is set out in Appendix V to this document
"associate(s)"	has the meaning ascribed to it under
"Bao Xing"	深圳寶興電線電纜製造有限公司 (Shenzhen Baoxing Electric Wire & Cable Manufacture Co. Ltd.), an Independent Third Party
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business
"BVI"	the British Virgin Islands
"Capital Convoy"	Capital Convoy Limited, a company incorporated on 10 March 2010 in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company
"chief executive(s)"	has the meaning ascribed to it under [●]
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Fairson Holdings Limited (鉦皓控股有限公司), a company incorporated on 25 June 2010 in the Cayman Islands with limited liability
"connected person(s)"	has the meaning ascribed to it under [●]
"Controlling Shareholder(s)"	has the meaning ascribed to it under [●] and, in the context of this document, means the controlling shareholders of the Company, namely, Mr. Yeung, Mr. SW Yeung, Equity Trust, Fairson Holdings (BVI) and Trust BVI
"Director(s)"	the director(s) of the Company

"Equity Trust"	Equity Trust (Singapore) Ltd., as trustee of The Race Champion Trust
"Fairson Holdings (BVI)"	Fairson Holdings (BVI) Limited, a company incorporated on 12 April 2010 in the BVI with limited liability and wholly-owned by Trust BVI
"GFA"	gross floor area
"Group"	the Company and its subsidiaries or, where the context requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiary of the Company at the time
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	an individual(s) or a company(ies) who/which is/are independent of and not connected with any Directors, chief executive, Controlling Shareholders or Substantial Shareholders of the Company, or any of its subsidiaries or their respective associates
"Joint Market"	Joint Market Limited, a company incorporated on 16 March 2010 in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company
"Latest Practicable Date"	29 April 2011, being the latest practicable date prior to the printing of this document for ascertaining certain information contained in this document prior to its publication
"Logic Dynamic"	Logic Dynamic Limited (鉦鑑科技有限公司), a company incorporated in Hong Kong with limited liability on 25 June 2009, an indirect wholly-owned subsidiary of the Company
"Memorandum"	the memorandum of association of the Company adopted on 25 June 2010 and as amended from time to time
"Ming Tak"	Ming Tak Electrical Wiring Co., Limited (明德電線有限公司), a company incorporated in Hong Kong on 27 April 1993, an Independent Third Party
"Mr. Li"	Mr. Li Shi Bin (李世斌), the deputy general manager of SunFair SZ prior to July 2010, an Independent Third Party

"Mr. SW Yeung"	Mr. Yeung Shing Wai (楊成偉), son of Mr. Yeung and an executive Director
"Mr. Yau"	Mr. Yau Kwai Lung, Sunny (游貴龍), an Independent Third Party who owned 66.67% of the issued share capital of SunFair HK which was transferred to Mr. Yeung in March 2009
"Mr. Yeung"	Mr. Yeung Tin Hung (楊天洪), founder of the Group, the Chairman, an executive Director and the Controlling Shareholder of the Company
"Non-competition Deed"	a deed of non-competition undertaking dated 27 April 2011 entered into by Mr. Yeung, Mr. SW Yeung, Trust BVI and Fairson Holdings (BVI) in favour of the Company, particulars of which are summarised in the paragraph headed "Non-competition Undertaking" in the section headed "Controlling, Substantial and significant Shareholders" in this document
"Old SunFair"	Sun Fair Electric Wire & Cable Company Limited (三輝電綫電纜有限公司), a company incorporated on 2 March 1990 in Hong Kong with limited liability. A special resolution in relation to the voluntary winding-up petition of Old SunFair was passed on 12 February 2009. Old SunFair was dissolved on 1 September 2010
"PRC" or "China"	the People's Republic of China whichs for the purpose of this document and for geographical reference only and except where the context requires, excludes Hong Kong, Macau and Taiwan
"PRC Legal Advisers"	Hills & Co, the legal advisers to the Company as to PRC law
"Reorganisation"	the corporate reorganisation of the Group in preparation for [●], as described in the section headed "History, development and corporate structure" in this document
"SAFE"	PRC State Administration of Foreign Exchange (中華人民共和國國家外滙管理局)
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)

"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 27 April 2011, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in Appendix VI to this document
"subsidiary(ies)"	has the meaning ascribed to it under the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under [●]
"SunFair Industrial"	Sun Fair Electric Wire & Cable Industrial Co., Limited (三輝電綫電纜實業有限公司), a company incorporated on 29 May 2009 in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
"SunFair Factory"	寶安區松崗三輝電線廠 (Baoan District Songgang Sun Fair Wire Factory), an enterprise established on 22 March 1995 in the PRC, which served as the processing factory of Old SunFair
"SunFair HK"	Sun Fair Electric Wire & Cable (HK) Company Limited (三輝電綫電纜(香港)有限公司), a company incorporated on 7 August 2007 in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
"SunFair SZ"	三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Limited), a company established on 19 December 2005 in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"The Race Champion Trust"	a discretionary trust set up by Mr. Yeung as the settlor and Equity Trust acts as the trustee, the beneficiaries of which include Mr. SW Yeung
"Track Record Period"	the period comprising the two financial years ended 31 March 2010 and the nine months ended 31 December 2010
"Trust BVI"	The Race Champion Holdings Limited, a company incorporated on 3 March 2011 in the BVI with limited liability, and the entire issued share capital of which is held by Equity Trust acting as the trustee of The Race Champion Trust
"US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollars, the lawful currency of Hong Kong

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"US$" or "US dollar(s)"	US dollars, the lawful currency of the US
"Hz"	hertz
"m"	metre
"mm"	millimetre
"sq.ft."	square feet
"sq.m."	square metre
"km"	kilometre
"%"	per cent.

Unless otherwise specified, for the purpose of this document and for the purpose of illustration only, amounts denominated in RMB have been converted into Hong Kong dollars using the following rate:

HK$1.1343 = RMB1

No representation is made that any amounts in RMB or HK$ can be or could have been converted at the above rate or any other rates, or at all, at the relevant dates.

If there is any inconsistency between the English version of this document and the Chinese translation of this document, the English version of this document shall prevail.

The names of any laws and regulations, governmental authorities, institutions, certificates, titles, natural persons or other entities (including certain of our subsidiaries) which have been translated into English and included in this document and for which no official English translation exists are unofficial translations for your reference only.

Certain amounts and percentage figures included in this document are subject to rounding adjustments. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this document in connection with the Group and its business. Some of these definitions may not correspond to standard industry definitions.

"3G"	the 3rd generation of mobile phones and mobile telecommunications services fulfilling specifications by the International Telecommunication Union
"BS"	Kitemark, a voluntary certification mark, granted by British Standards Institution, an independent testing and certification organization in the United Kingdom
"CAGR"	Compound annual growth rate
"CCC"	China Compulsory Certification Mark, a compulsory safety and quality mark for products sold in the PRC
"CSA"	CSA Mark, granted by CSA International, an independent testing and certification organization in Canada
"DEMKO"	D Mark, a voluntary certification mark, granted by UL International Demko A/S, a subsidiary of Underwriters Laboratories Inc. and an independent testing and certification body in Denmark
"FIMKO"	FI Mark, a voluntary certification mark, granted by SGS Fimko Ltd, an independent testing certification body in Finland
"GSMA"	Global System for Mobile Communications Association, an association of mobile operators and related companies devoted to supporting the standardizing, deployment and promotion of the GSM mobile telephone system
"HDMI"	High-Definition Multimedia Interface, a compact audio/video interface for transmitting uncompressed digital data
"ISO 9001: 2000"	the international specification for a quality management system
"KEMA"	KEMA-KEUR Mark, a voluntary certification mark, granted by KEMA Quality B.V., a testing and certification body in the Netherlands
"micro-USB"	micro universal serial bus, a modified smaller version of user-friendly "plug-and-play" interface between electronic products and peripherals
"mini-HDMI"	Type D HDMI, a version of high-definition multimedia interface, a compact audio/video interface for transmitting uncompressed digital data

"NEMKO"	Nemko's N Mark, a voluntary certification mark, granted by Nemko AS, an independent testing and certification body headquartered in Norway
"OEM"	original equipment manufacturer, which manufactures products or components that are purchased by a company and retailed under the purchasing company's brand name
"OVE"	OVE Mark, a voluntary certification mark, granted by the Austrian Electrotechnical Association, a testing and certification body headquartered in Vienna
"PCB"	printed circuit board, a flat plate or base of insulation material containing a pattern of conducting materials, which becomes an electrical circuit when components are attached and soldered to it
"PSE"	PSE Mark granted pursuant to the conformity certificate issued by Japan Electrical Safety & Environment Technology Laboratories, a testing body designated by the Ministry of Economy, Trade and Industry of Japan and an independent certification body
"PVC"	polyvinyl chloride
"SAA"	SAA Mark, a voluntary certification mark, granted pursuant to the approval by the Department of Fair Trading, NSN Consumer Protection Agency
"SEMKO"	S Mark, a voluntary certification mark, granted by Intertek Semko AB, an independent testing and certification body in Sweden
"SEV"	Swiss Safety Mark, a voluntary certification mark, granted by the Federal Inspectorate for Heavy Current Installations, a separate division of Electrosuisse SEV Association for Electrical Engineering, Power and Information Technologies operating on behalf of the Swiss government
"UL"	UL Mark, a voluntary certification mark, granted by Underwriters Laboratories Inc., an independent testing and certification organization headquartered in the US
"USB"	universal serial bus
"VDE"	VDE Mark, a voluntary certification mark, granted by VDE Association for Electrical, Electronic and Information Technologies founded in Germany

FORWARD LOOKING STATEMENTS

Forward looking statements contained in this document are subject to significant risks and uncertainties.

This document contains certain forward looking statements relating to the Group that are based on the beliefs of the management of the Company as well as assumptions made by and information currently available to the management of the Company as of the date of this document. These forward looking statements are, by their nature, subject to significant risks and uncertainties. These forward looking statements include, without limitation, statements relating to:

- the Group's operations and business prospects;
- the Group's financial condition;
- the Group's future developments, trends and conditions in the industry and geographical market in which the Group operates;
- the Group's relationships with its key customers;
- the Group's strategies, plans, objectives and goals;
- the Group's plan to expand its product offerings;
- changes to regulatory and operating conditions in the industry and geographical market in which the Group operates;
- the Group's ability to control costs;
- the Company's dividend policy;
- the amount and nature of, and potential for, future development of the Group's business; and
- certain statements in "Financial Information" in this document with respect to trends in prices, volumes, operations, margins, overall market trends and risk management.

When used in this document, the words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Group or the management of the Company, are intended to identify forward looking statements. These forward looking statements reflect the views of the management of the Company as of the date of this document with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward looking statements involves known and unknown risks and uncertainties. Actual results and events may differ materially from information contained in the forward looking statements as a result of a number of factors, including:

- any changes in the laws, rules and regulations relating to any aspects of the Group's business operations;

- general economic, market and business conditions, including capital market developments;
- changes or volatility in interest rates, equity prices or other rates or prices;
- the actions and developments of the Company's competitors and the effects of competition in the industry on the demand for, and price of, the Group's products;
- various business opportunities that the Company may or may not pursue;
- persistency levels;
- the Company's ability to identify, measure, monitor and control risks in the Group's business, including the Company's ability to manage and adapt the Group's overall risk profile and risk management practices;
- the Company's ability to properly price the Group's products and establish reserves for future policy benefits;
- fluctuations in the price of raw materials;
- the Group's ability to introduce new products to respond to customers' demands and preferences;
- the Group's production capabilities;
- the effectiveness of the Group's marketing activities;
- seasonal fluctuations; and
- the risk factors discussed in this document as well as other factors beyond the Company's control.

Subject to the requirements of the applicable laws, rules and regulations, the management of the Company do not intend to update or otherwise revise the forward looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this document might not occur in the way the Group expects, or at all. Accordingly, you should not place undue reliance on any forward looking information or statements. All forward looking statements in this document are qualified by reference to the cautionary statements set forth in this section.

There are certain risks and uncertainties involved in the Group's operations. These risks and uncertainties are categorised into: (i) risks relating to the business; (ii) risks relating to the industry; and (iii) risks relating to business operations in the PRC.

RISKS RELATING TO THE BUSINESS

The Group heavily relies on a single production base in Baoan District, Shenzhen, the PRC. Any disruption to the Group's production at such production base could materially and adversely affect its business, financial condition and results of operations

The Group currently manufactures its products at a single production base in Baoan District, Shenzhen. It comprises five blocks of factory buildings, with a total GFA of approximately 11,875 sq.m.. The Group heavily relies on such production base. For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, sales attributable to the Group's products that were manufactured at its production base in Baoan District were approximately [86.3]%, [83.5]%,and 70.6% of the total sales of the Group, respectively.

Natural or other causes, such as floods, fires, earthquakes and typhoons, may cause significant damage to the Group's production base in Baoan District, which could be costly and time consuming to reinstate and could disrupt the Group's operations. The Group may incur additional costs and may experience a disruption in the supply of products until appropriate production facilities become available and operational. Any disruption or delay in the Group's production could have an adverse impact on its ability to produce sufficient quantities of its products, which in turn could impair its ability to meet the demand of its customers. In such cases, the Group's business, financial condition and results of operations could be materially and adversely affected.

The Group may not be able to continue to occupy and use its current production facilities

The Group's production facilities in Baoan District is situated on collectively owned land, owned by a group of villagers and collectively managed by the villagers' committee. The lessor who leased the production facilities to the Group does not possess the relevant valid land use rights certificates or the relevant valid building ownership certificates. As advised by the PRC Legal Advisers, such defects would not result in any liability for penalties or the part of the Group and there would not be any adverse impact on the Group's assets placed in the leased properties. However, by reason of such title defects, the relevant leases may be held invalid and unenforceable under PRC law, the Group may not be able to continue to occupy and use its current production facilities.

The Group has a contingency plan for maintaining the continuity of its business operations in the event that the Group cannot continue to occupy and use its current production facilities. For details, please refer to the paragraph headed "Contingency arrangement with the production plant" under the section headed "Business" in this document. The lessor has undertaken to the Group to resolve and handle any disputes and penalties arising from the Group's leasing and occupation of its current production facilities and indemnify the Group from any loss it may suffer as a result of such title defects. Nonetheless, there is no assurance that the lessor will honour its undertakings and indemnities, in which case, the Group may suffer financial losses and disruption to its business operation if there is any dispute and/or penalty resulting from such title defects and as a result of the related relocation.

The new production plant of the Group may not be utilised at a rate comparable to its current production facilities

As referred to in the paragraph headed “[●]” in the section headed “Future plans and prospects” in this document, the Group plans to utilise approximately HK$25.0 million, representing [●], for the acquisition of a parcel of land and construction of a new production plant. There is no assurance that the new production plant can be utilised at a rate comparable to its current production facilities. In the event that the new production plant cannot be utilised at such a rate, the profitability and financial performance of the Group may be adversely affected.

There are risks associated with the Group’s reliance on its subcontractor

The Group has entered into a subcontracting arrangement with a subcontractor in Guangdong province, the PRC and has incurred subcontracting expenses of HK$5.9 million, HK$4.9 million and HK$6.4 million for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively. Sales attributable to the Group’s products that were manufactured by the subcontractor amount to approximately 13.7%, 16.5% and 29.4% of the total sales of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively. For details, please refer to the paragraph headed “Production” under the section headed “Business” in this document. There is no assurance that the Group would be able to continue the existing subcontracting arrangement or find another subcontractor on similar or more favourable terms where necessary. In the event of any disruption to the current subcontracting arrangement, the Group’s business, financial condition and results of operations could be materially and adversely affected.

In addition, if the subcontractor cannot meet production deadlines or fails to deliver products with satisfactory quality, or if the customers of the Group do not allow the Group to enter into any subcontracting arrangement, the Group’s business, reputation and operations may be adversely affected. In particular, if any product manufactured by the subcontractor cannot meet the standards required by the customers of the Group or is returned for any reason, the Group may not be able to meet its commitments to its customers, which may have an adverse impact on its business reputation. In such case, the Group may have to incur significant additional costs to meet its commitments to its customers, which may not be passed along to its customers and could have a material adverse effect on the Group’s business, financial condition and results of operations.

Moreover, there is no assurance that the customers of the Group would not bypass the Group and place orders directly with the subcontractor. In such case, the Group may experience a decrease in demand for its products, which may affect adversely its profitability and financial results.

Reliance on sales consultants

During the Track Record Period, the Group had engaged sales consultants for the introduction and referral of and liaising with customers. Sales commission paid by the Group to the sales consultants amounted to approximately HK$7.9 million, HK$3.1 million and HK$2.6 million for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively. Three out of the top five customers of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, were introduced by the sales consultants to the Group. Please refer to the paragraph headed "Sales and Marketing" under the section headed "Business" in this prospectus for details. In the event that the sales consultants cease to provide customer introduction, referral and liaison services to the Group, the profitability and financial performance of the Group may be adversely affected.

Net current liabilities of the Group as at 31 March 2009

The Group recorded net current liabilities of HK$1.2 million as at 31 March 2009, mainly due to the comparatively small scale of current assets accumulated from operation as compared to the scale of current liabilities. Despite that the net current assets of the Group decreased from HK$19.3 million as at 31 March 2010 to HK$14.0 million as at 31 December 2010, the Group did not record any net current liability as at 31 March 2010 and 31 December 2010, respectively.

The Group may have net current liabilities in the future. Having significant net current liabilities could constrain the operational flexibility of the Group as well as adversely affect the expansion ability of the Group. If the Group fails to generate sufficient cash flow from its operations to meet its present and future financial needs, it may need to rely on external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, the Group may be forced to delay or abandon its development and expansion plans, and its business operations and financial position may be materially adversely affected. Please refer to the section headed "Financial information" in this document for more details.

Sustainability of the Group's profitability in future

For the years ended 31 March 2009 and 2010, respectively, the Group's revenue decreased by 13.2% from HK$184.4 million to HK$160.0 million, which was primarily attributable to the decrease in sales of raw cable and the decrease in average unit selling prices of the Group's products resulting from the decrease in copper price and copper usage in the Group's products. During the same periods, the Group's net profit increased from HK$6.9 million to HK$24.0 million and its net profit margin improved from 3.8% to 15.0%, which was primarily attributable to an effective cost saving on raw material consumption. The Group's revenue increased slightly by 4.2% from HK$120.8 million for the nine months ended 31 December 2009 to HK$125.9 million for the nine months ended 31 December 2010, primarily due to the increase in sales of power and data cords for mobile handsets. During the same periods, the Group's net profit decreased from HK$17.5 million to HK$16.4 million and its net profit margin decreased from 14.5% to 13.0% primarily due to the increase in direct labour cost and the increase in subcontracting expenses. Further details are set out in the section headed "Financial information" of this document.

The sustainability of the Group's profitability in future depends on various factors including the cost of its raw materials and its sales performance. In addition, the expansion of the Group's business has, and will continue to, put pressure on its managerial, technical, financial, production, operational and other resources. Therefore, there is no assurance of the sustainability of the Group's profitability in future and if the Group is unable to effectively manage its expanding operations and controls over increasing costs, its profitability may be adversely affected.

The Group is dependent on its major customers, and the revenue, cash flow, working capital position, financial condition and operating results could decline significantly if any of them reduces its purchases of, or fails to pay for, the Group's products

The Group's sales to its top five customers for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 accounted for approximately 75.1%, 70.0% and 77.2%, respectively, of its total revenue. Two out of the top five customers of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, resepctively are the suppliers of one of the internationally renowned mobile handset providers as illustrated in the section headed "Industry Overview" in this document. Sales to the largest customer totaled HK$66.2 million, HK$38.3 million and HK$36.1 million in the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, and accounted for 35.9%, 23.9% and 28.6% of the total revenue in the respective periods. The Directors believe that the Group's results of operations and financial condition will continue to depend on (i) the ability to continue to obtain orders from these customers; (ii) the financial condition and commercial success of these customers; and (iii) factors that affect the development of the mobile handsets related power and data cords industry. The Group may not be able to retain any of its largest customer or any other key customers. Cancellation or reduction of orders from its major customers could cause its sales to decline significantly, and in any such event, the results of its cash flow, working capital position, financial condition and operating results may be materially and adversely affected.

If one or more of its customers were to become insolvent or otherwise were unable to pay for the products supplied by the Group, or were unable to maintain the OEM supply arrangement with their customers, the business, financial condition and results of operations of the Group would be materially and adversely affected. If any of its key customers decides to significantly change its procurement methods for mobile handset related power and data cords products, or otherwise reduces or eliminates the purchase of the products, the revenue of the Group would decline significantly.

Lack of long-term purchase orders or commitments from customers

The Group's customers have not provided the Group with, and are not obliged to provide the Group with, any long-term purchase orders or commitments, nor are they obliged to purchase any minimum amount of the Group's products. During the Track Record Period, two of the Group's major customers issued non-legal binding purchase forecasts on a regular basis. Purchase orders were placed by these customers with reference to the purchase forecasts. Accordingly, the Group does not have long-term purchase orders or commitments to protect it from the impact of a reduction in the demand for its products, which may be resulted from a general economic downturn, changes in the power and data cords industry, the entry of new competitors into the market, the introduction of new technology, an unanticipated shift in the needs of its customers, etc.

There is no assurance that the customers of the Group will not reduce placing orders with the Group in future. If such event occurs, especially with respect to the largest customer of the Group, there could be a material adverse effect on the Group's business, financial condition and results of operations.

The sales patterns of the Group in the past may not be indicative of its future sales

During the Track Record Period and save and except for the public holidays in the PRC, the sales of the Group were not subject to seasonality. Sales of the Group generally depend on the demand from its customers. However, the sales patterns of the Group in the past may not be indicative of its future sales. Should there be any reduction in the demand of the Group's products in any time in any year, its profitability may be adversely affected.

The Group's business is dependent in part on the continuing outsourcing in the mobile handset and medical control device industries

The Group's business strategy focuses on the manufacture and sale of mobile handset related power and data cord products, some of which are ultimately provided to internationally renowned mobile handset providers. Two out of the top five customers of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, are the suppliers of one of the internationally renowned mobile handset providers as illustrated in the section headed "Industry Overview" in this document. Therefore, the Group's business depends heavily on the continuing outsourcing in the mobile handset industry. The decision of a mobile handset provider to outsource depends on its internal ability and capacity for manufacturing and the comparative advantage of outsourcing. There is no assurance that the Group's customers will continue to outsource. In addition, future growth in the Group's business depends on new outsourcing opportunities. If such opportunities do not materialise, the future growth of the Group could be limited.

The Group failed to comply with the PRC rules and regulations in relation to social insurance during the Track Record Period

According to the relevant rules and regulations in relation to social insurance in the PRC, SunFair SZ shall maintain basic pension insurance, basic medical insurance, unemployment insurance, job-related injury insurance and maternity insurance ("**Social Insurances**").

During the Track Record Period, SunFair SZ has not made full contributions of the Social Insurances in accordance with the relevant legal requirements. Up to the Latest Practicable Date, relevant local administration for labour and social insurance in charge have not issued any reminder or directive to SunFair SZ for remedy of the non-contribution situation. Should the local authorities require such contributions in the future and SunFair SZ fail to do so within a stipulated time, SunFair SZ would be liable to pay a 0.2% per day overdue penalty in addition to the unpaid contributions and the Group's management and other persons with direct responsibilities may be fined to a maximum of RMB30,000 and in the meantime, the Group may be subject to a fine of RMB50,000. In respect of the existing employees of SunFair SZ as at 31 March 2009 and 2010 and 31 December 2010, unpaid contributions amounted to approximately HK$289,000, HK$494,000 and HK$564,000, respectively for which the Group had made relevant provisions in the accounts. The retrospective period for ex-employees to make a complaint to the relevant labour protection administration department is two years, thus the unpaid contribution in respect of the ex-employees of SunFair SZ in 2009 and 2010 amounted to approximately HK$439,000. If the Group fails to remedy the non-compliance situation within the limitation period upon request by the relevant authorities, the maximum amount of overdue penalty that the Group would have to pay would be approximately HK$1,128 per day, being 0.2% of HK$564,000 which is its total unpaid Social Insurance contributions for the existing employees and approximately HK$878 per day, being 0.2% of HK$439,000 which is its total unpaid Social Insurance contributions for the ex-employees as at the Latest Practicable Date.

Mr. Yeung and Fairson Holdings (BVI), being Controlling Shareholders, had agreed to indemnify the Company in full and hold it harmless from and against any loss or liability which may be suffered by the Company as a result of or in connection with the outstanding social insurance contribution and/or any penalty that may be imposed by the relevant PRC authorities in this regard.

The Group failed to comply with the PRC rules and regulations in relation to housing provident fund during the Track Record Period

According to the relevant PRC laws and regulations, employers in the PRC are required to pay housing provident fund for its employees. According to Articles 14 and 37 of《住房公積金管理條例 (the Regulations on the Administration of Housing Provident Funds)》, promulgated by the State Council on 3 April 1999 and amended in accordance with the Decision of the State Council on Amending the Regulation for the Administration of Housing Provident Funds made on 24 March 2002, a newly-established unit shall register with Administrative Centre of Housing Funds within 30 days after its establishment and set up relevant housing provident funds account for itself and its employees within 20 days after the registration, failing which, the unit shall be ordered to rectify the breach within a specified time limit, otherwise, an aggregate fine of between RMB10,000 and RMB50,000 shall be imposed. Since the establishment of 深圳市住房公積金管理中心 (Shenzhen Housing Provident Fund Management Centre) in December 2010, the Group is required to make housing provident fund contributions for its employees according to applicable PRC laws and regulations within six months.

However, as at the Latest Practicable Date, the Group has not complied with the housing provident fund contribution requirements for its employees because (i) since the system for housing provident fund has been in place in Shenzhen in 1992, the number of participating enterprises and employees have been limited; (ii) the employees themselves are not willing to make corresponding contributions; and (iii) the housing fund contribution requirements have not been made mandatory through enforcement by the local authority. Due to differences in local regulations, inconsistent implementation or interpretation by local authorities responsible for housing provident fund, and according to《深圳市社會保險暫行規定》(1992) (the Shenzhen Social Insurance Interim Provisions (1992)), these provisions apply to fixed employees and contracted employees with permanent residency (常住戶口) in the city. The required rate of contribution from the companies for the housing provident fund is 13% of the total monthly wage of the employees. For details, please refer to paragraph headed “Social Security and Housing Provident Fund Contribution under the section headed “Regulatory Framework” in this document. The unpaid contribution for the housing provident funds amounted to HK$2,348, HK$2,348 and HK$1,761 for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, which the Group has not made any provision for this liability. The unpaid housing provident funds as at 31 March 2009, 31 March 2010 and 31 December 2010 were HK$2,348, HK$4,696 and HK$6,457 respectively.

Although the housing provident fund contributions requirement has not been made mandatory through enforcement by the Shenzhen local authority since 1992, relevant reform proposal has been promulgated recently by Shenzhen government to enforce the housing provident fund system. According to 《深圳市住房公積金制度改革方案》 (Shenzhen Housing Fund System Reform), 深圳市住房公積金管理委員會 (Shenzhen Housing Fund Management Committee) and 深圳市住房公積金管理中心 (Shenzhen Housing Fund Management Centre) were established in December 2010. Measures for Management of Shenzhen Housing Provident Fund《深圳市住房公積金管理暫行辦法》, (hereinafter referred to as “**the Measures**”), which are the implementation rules for the Shenzhen housing fund reform, were promulgated on 30 November 2010 and came into force on 20 December 2010. According to the Measures, a newly-established unit shall register with Housing Fund Management Centre within 30 days after its establishment, while units which were established before the enforcement of the Measures shall register housing provident fund within the timeframe prescribed by Housing Fund Management Centre. According to Provisional Measures for Management of Payment and Deposit of Shenzhen Housing Provident Fund (For Trial implementation) (《深圳市住房公積金繳存管理暫行規定(試行)》), business units which were established before the enforcement of the Measures shall register payment and deposit of housing provident fund within six months from the date of the enforcement of the Measures. The Group made an application for registration of payment and deposit of housing provident fund on 10 January 2011. The registration has been completed and the Group commenced to contribute to housing provident fund in March 2011.

Mr. Yeung and Fairson Holdings (BVI), being Controlling Shareholders, had agreed to indemnify the Company in full and hold it harmless from and against any loss or liability which may be suffered by the Company as a result of or in connection with the outstanding payments of the housing provident funds and/or any penalty that may be imposed by the relevant PRC authorities in this regard.

The Group’s success relies to a large extent on its intellectual property rights, and failure to protect such intellectual property rights may affect its ability to compete

The Group regards its intellectual property rights as its important assets. As at the Latest Practicable Date, the Group had registered (i) the trademark for its logo “ ” and the trademark for its English name “SUN FAIR” in the PRC; and (ii) other seven patents in the PRC. Some of the Group’s power cords and inlet sockets for household electrical appliances with safety approvals and/or certificates such as CSA, VDE, PSE, BS and CCC bear the trademark “SUN FAIR”. The Group had also registered the domain name: http://www.sunfairw.com.hk. Details of the Group’s intellectual property rights are set out in the sub-paragraph headed "Intellectual property rights of the Group" under the section headed "Further information about the business of the Group" in Appendix VI to this document.

Although the Group had not experienced any infringement of its intellectual property rights by third parties during the Track Record Period, there is no assurance that the steps it has taken or will take to protect its intellectual property rights will adequately protect its proprietary rights or that others will not independently develop or otherwise acquire equivalent or superior technology or that it can maintain such technology as trade secrets. The Group's failure to protect its intellectual property rights could have an adverse effect on its business, results of operations and financial position.

Potential competition from a former business partner after expiry of non-competition period

Mr. Li had been the deputy general manager of SunFair SZ prior to July 2010, who was responsible for sales and marketing of power and data cords. In May 2009, Mr. Yeung and Mr. Li formed SunFair Industrial which was owned as to 50% by each of them. In May 2010, Mr. Li entered into a sale and purchase agreement with Capital Convoy, pursuant to which he agreed to sell his 50% equity interest in SunFair Industrial to Capital Convoy. Mr. Li left SunFair SZ after the disposal and has given an undertaking not to compete with the Group for a period of two years from 31 May 2010. SunFair Industrial is principally engaged in the processing and distribution of raw cables without connector plugs. However, there is no assurance that Mr. Li will not compete with the Group in future.

The Group may experience delays or defaults in collecting trade receivables from its customers, which may adversely affect its cash flow, working capital position, financial condition and operating results

The Group recorded a significant amount of trade and other receivables at the end of each reporting period during the Track Record Period. As of 31 March 2009, 31 March 2010 and 31 December 2010, the trade and other receivables of the Group amounted to approximately HK$[34.4] million, HK$[44.3] million and HK$[51.5] million, respectively, representing approximately [60.3]%, [58.8]%, and [63.4]% of the Group's total current assets as at the respective balance sheet dates. As of 28 February 2011, approximately HK$[28.3] million out of the HK$[43.1] million trade receivables outstanding as of [31 December 2010] had been settled. In the event of any material delay or if any material portion of such trade and other receivables becomes bad debts and cannot be collected by the Group, the results of its cash flow, working capital position, financial condition and operating results may be materially and adversely affected.

The Group's margins and profitability may be adversely affected if it is unable to reduce costs or if the prices of its products decline sharply

The Group faces substantial continuing pressure from major customers to reduce costs. In addition, the business of the Group requires it to maintain a large fixed cost base and its production processes rely to a large extent on manual labour. Therefore, the profitability of the Group is dependent, in part, on its ability to spread fixed production costs over higher production volumes and to control labor costs. If the

Group is unable to generate sufficient production cost savings in future to offset price reductions and any reduction in consumer demand for power and data cords products resulting in decreased sales, its margins and profitability would be materially and adversely affected. In addition, its customers often require engineering, design or production changes. In some circumstances, the Group may not be able to achieve price increases sufficient to cover the costs of these changes. If this occurs, the business, financial condition and results of operations of the Group could be materially adversely affected.

The Group is exposed to risks associated with the cost and supply of major materials procured from its suppliers

Costs of raw materials and consumables used including copper wire and plastic powders represent the major components of cost of sales of the Group which in aggregate accounted for 76.2%, 77.6% and 71.4% of the cost of sales of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively. For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, the number of suppliers for copper wire were nine, five and eight respectively while the number of suppliers for plastic powders were 21, 22 and 24 respectively. The Group's purchases of raw cables from its top five suppliers amounted to approximately [HK$59.7 million], [HK$64.0 million] and [HK$32.6 million] which accounted for approximately [37.7]%, [51.4]% and [49.3]% respectively, of the total cost of sales of the Group for the same periods. The decrease in percentage of purchases from the Group's top five suppliers in the nine months ended 31 December 2010 was mainly due to the acquisition and consolidation of SunFair Industrial which was the largest supplier for the year ended 31 March 2010 and the nine months ended 31 December 2010. The Group has not entered into any long term supply agreements with any of its suppliers and there is no assurance that its key suppliers will continue to supply raw materials to the Group at desired quality in a timely manner or commercially acceptable terms. Among the 10 suppliers which are the top five external suppliers of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, eight of them have been supplying raw materials to the Group for more than three years and two of them have more than eighteen years' business relationship with the Group.

In addition, if the suppliers of the Group experience financial or other difficulties or if worldwide demand for the raw materials they provide increases significantly, the availability of these raw materials could be limited. It could be difficult, costly and time-consuming to obtain alternative sources for these materials, or to change product design to make use of alternative raw materials. In addition, difficulties in transitioning from an existing supplier to a new supplier could create delays in raw materials availability that would have a significant adverse impact on the Group's ability to fulfill orders for its products. If the Group is unable to obtain a sufficient supply of raw materials, or if the Group experiences any interruption in the supply of raw materials, its product shipments could be reduced or delayed. This would affect the ability to meet scheduled product deliveries, damage the Group's reputation in the market and cause it to lose market share.

The Group would purchase raw materials based on its customers' rolling forecasts and in cases where there is a long lead time required to purchase the relevant raw materials. In these cases, the Group had in the past placed orders with its suppliers prior to receiving an order for its products. Accordingly, the orders of the Group to the suppliers are, to an extent, based on the forecast of demand from the Group's customers. If the Group incorrectly estimate customer demand, the Group may misallocate resources, resulting in, among other things, excess inventory. Inventory obsolescence may require the Group to make adjustments to write down its inventory to lower the cost or net realizable value and may have a material adverse effect on its results of operations.

The Group's business may be affected by fluctuation in the price of raw materials

The Group principally sources raw materials from suppliers in the PRC. The price of these materials may be subject to fluctuations as a result of various factors beyond the Group's control, such as global economic and financial conditions and the PRC government policies. Also, prices are negotiated on an order-by-order basis and determined according to the then prevailing market conditions. Accordingly, the prices of raw materials including copper have a significant impact on the Group's profitability. The average copper cost of the Group experienced a decrease from HK$68.1 per kg for the year ended 31 March 2009 to HK$41.4 per kg for the year ended 31 March 2010 and the price increased to HK$67.4 per kg for the nine months ended 31 December 2010. On the contrary, the average plastic powders cost of the Group fluctuated from HK$17.5 per kg to HK$19.6 per kg during the Track Record Period. The Group cannot assure that there would not be any sudden shortage in supply of such raw materials, or any fluctuations in their prices due to change in market conditions, which would in turn lead to price increases in future.

The Group generally pays its raw materials according to the prevailing market prices at the time of purchase. In the event that the Group is unable to obtain sufficient raw materials at reasonable prices, or to pass on higher raw material costs to its customers, its business, profit margins, financial condition and results of operations could be materially and adversely affected.

The cost structures of the Group during the Track Record Period may not be indicative of its costs in future

For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010, the Group's cost of sales accounted for 85.9%, 77.6%, 78.1% and 78.9% of its revenue, respectively. Raw materials and consumables used are the major cost components which accounted for 76.2%, 77.6%, 76.5% and 71.4% of the cost of sales for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010, respectively. The decrease of cost of raw materials consumed for the year ended 31 March 2010 was mainly due to:

(i) the incorporation of SunFair Industrial in May 2009 from which the Group procured raw cables for the production of power and data cords, which results in the reduction of procurement of copper wire and plastic powder by the Group. Since the incorporation of SunFair Industrial to May 2010, SunFair Industrial was treated as a jointly controlled entity of the Group and its cost of sales was not included in the Group's cost of sales. Since the acquisition of 100% equity interest of SunFair Industrial by the Group in May 2010, the cost of sales of SunFair Industrial has been consolidated with that of the Group;

(ii) the decrease of copper wire usage as a result of the substantial drop in sales volume of raw cables from 151.5 million metres for the year ended 31 March 2009 to 41.8 million metres for the year ended 31 March 2010 and the reduction of weighted average length of power and data cord from 1.7 metres to 1.4 metres and 2.06 metres to 1.69 metres per unit for mobile handsets and household appliances respectively as a result of the change in product specification; and

(iii) the decrease in the average copper wire price from HK$68.1 per kg for the year ended 31 March 2009 to HK$41.4 per kg for the year ended 31 March 2010.

The cost structures of the Group for the Track Record Period may not be indicative of its raw material costs in future. There is no assurance that the Group will be able to maintain a comparable and competitive cost structure in future.

No assurance that future business plans will materialise

The future business plans of the Group are developed from the ideas of the Directors and some of them are at the conceptual or preliminary stage and no detailed feasibility study has been conducted. These business plans and ideas are based on assumptions as to the occurrence of certain future events, which may or may not materialise, and the real situation might differ materially.

The Group may not be able to successfully develop new production processes or new products including micro-USB and mini-HDMI power and data cards

The Group continually evaluates its production processes and new products. The Directors believe that the future success of the Group will depend in part upon its ability to develop new production processes, develop and market new products which meet the needs of the evolving customers, in a cost-effective manner and on a timely basis. The Group has cooperated and intended to continue such cooperation with key customers in product development activities to keep pace with market developments and remain competitive.

Furthermore, the development of new products requires significant time and expertise in order to meet standards and criteria issued by the relevant governmental authorities, industry standards as well as customers' specifications. The Group must satisfy these standards and criteria in order to be eligible to supply its products to these customers, including those that have in the past contributed most of the revenues and profits of the Group. Furthermore, quality and performance issues could damage the Group's reputation and relationships with existing and potential customers, which in turn could have a material and adverse effect on the growth of the Group.

In particular, the Group plans to extend its product portfolio with micro-USB and mini-HDMI power and data cords. However, the Group does not have any prior experience in mini-HDMI power and data cords and had commenced the manufacture of micro-USB power and data cords only since August 2010. Hence, the Group has limited expertise in these products. As such, the micro-USB and mini-HDMI power and data cords businesses of the Group may not thrive. In the event that the Group is not successful to enhance the variety of its product portfolio, its future revenue and profitability will be affected.

The Group's mini-HDMI products may not pass certain HDMI compliance tests

The Group is required to pass certain HDMI compliance tests prior to mass production of HDMI products that claims compliance with the HDMI specification. As discussed in the section headed "Future Plans and Prospects" in this document, the Group only plans to submit the prototype of its mini-HDMI products for testing in the second half of 2011. There is no assurance that the prototypes of the Group's mini-HDMI products can pass the tests.

The Group's products are required to meet industry technical standards or governmental safety requirements and its customers place significant emphasis on product quality and reliability in selecting their suppliers. As a result, if the Group's products experience quality deficiency issues, its business, results of operations and financial condition could be materially and adversely affected

The business of the Group depends on delivering products of consistently high quality. Some of its customers require its products to meet different industry technical standards, product safety regulations and other requirements imposed by the relevant governments or certifications bodies in countries that its products or the end-products of its customers are sold to. Moreover, its customers generally place significant emphasis on product quality and reliability in selecting the Group as their supplier.

To ensure high quality standards, the Group's products are inspected and tested for quality by its quality control personnel in accordance with its internal quality assurance procedures. There is no assurance that its quality inspection and testing procedures may be effectively complied with at all times. Failure to comply with such quality inspection and testing procedures by its employees could result in faulty or defective products being delivered to its customers. In addition, its quality testing procedures may not always be sufficient. Its quality testing procedures are generally designed to evaluate product performance under likely and foreseeable failure scenarios. As a result of the occurrence of unforeseeable performance problems, its products may fail to perform. Furthermore, any changes in the relevant industry technical standards or governmental safety requirements will affect the Group's sales if its products do not meet such new standards or requirements. There is no assurance that such problems will not occur in future. Significant quality, defects of the products of the Group may result in damage of its reputation and loss of customers and future sales as well as potential compensation claims by affected customers.

If the inventories of the Group become obsolete, the future performance and operating results of the Group will be adversely affected

Rapid technological developments, changes in industry standards and emergence of new or substitute products in the industry and the markets for the Group's products will render its products and inventories obsolete. The Group's products and inventories may also become obsolete as a result of adverse changes in end market demands. If the Group fails to effectively manage its production and inventory levels or otherwise have significant levels of obsolete or excessive inventories, the business, operating results and financial condition could be materially and adversely affected.

Reliance on key management personnel could adversely affect the operations of the Group

The success of the Group depends to a significant extent on the continued services of its key personnel, including its Directors and senior executives, as well as its ability to continue to attract, retain and motivate such personnel. For instance, Mr. Yeung, one of the Directors, has over 25 years of experiences in power cord industry. For detailed information on Mr. Yeung's working experience, please refer to the section headed "Directors and senior management" in this document. The loss in the services of any of these key personnel without adequate and timely replacement could limit the Group's competitiveness, interrupt the production processes of the Group, reduce its manufacturing quality and cause customer dissatisfaction, all of which could reduce its profitability. In addition, in order to develop into new business and sustain and maintain the growth, the Group may need to recruit additional skilled personnel. The competition for such personnel is intense, and the failure to attract or retain key personnel could harm the Group's operations. The Group does not maintain "key man" insurance with respect to any of its Directors, officers, or other key personnel.

The Group maintains limited insurance coverage which may not cover the Group's operations and losses

For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, the insurance expenses of the Group, which was included in other factory overheads, amounted to HK$393,000, HK$[360,000] and HK$[125,138] respectively. The types of insurance purchased by the Group included medical and social insurance, property insurance, general insurance and motor vehicles insurance. The Group currently does not maintain any business interruption insurance or environmental damage insurance for environmental emissions or accidents on its properties or relating to its operations. The Group cannot assure that in the course of its operations, it will not experience any major accidents which may cause significant property damage and personal injuries. The occurrence of any such accidents and the consequential losses may not be adequately covered, or at all, by its insurance policies. Losses incurred or payments the Group may be required to make, may have a material adverse effect on its financial condition.

In addition, manufacturers and sellers of defective products in the PRC may be liable for loss and injury caused by such products. According to the principal laws and regulations governing this area, such as the General Principles of the Civil Law of the PRC, where a sub-standard product causes property damage or physical injury to any person, the manufacturer or seller of such sub-standard product may be subject to civil liabilities for such damage or injury. In addition, under the Product Quality Law, manufacturers are responsible for the quality of the products they produce, the products must meet certain minimum standards and manufacturers producing defective products may be liable for criminal liability and have its business licenses revoked.

The Group generally does not carry product liability insurance for its products, business interruption insurance, third-party liability insurance for personal injuries. There is no assurance that the Group will not receive any complaints or claims against the Group pursuant to, including but not limited to, any of the above-mentioned laws in future, which may adversely affect the reputation and the operation of the Group. It may also be liable for loss and injury due to defective products sold in other jurisdictions outside the PRC, which may adversely affect its financial condition and results of operations.

The Group faces risks relating to foreign currency exchange rates

The Group faces foreign exchange risk, principally from the mismatch between the currency of the sales, purchases and operating expenses of the Group. For the Track Record Period, the majority of the Group's revenue was principally denominated in Hong Kong dollar, and during the same period its expenses were denominated principally in Renminbi. The value of Renminbi against the Hong Kong dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including the Hong Kong dollar and the US dollar, has been based on rates set by the People's Bank of China, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to the US dollars was generally stable. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated bank based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against the US dollar. In August 2008, the PRC revised the PRC Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例) to promote the reform of its exchange rate regime. It is expected that the PRC may further reform its exchange rate system in future. During the Track Record Period, Renminbi has appreciated approximately 6.0% relative to the Hong Kong dollar. This has resulted in an increase in costs without a corresponding increase in revenue. Should there be significant changes in the exchange rate of the US dollar against Renminbi in future, the Group's financial condition and results of operations may be adversely affected.

The operating results of the Group may fluctuate from period to period

The operating results of the Group are subject to significant fluctuations. The Directors believe that some material factors affecting the operating results of the Group include, but are not limited to:

- alterations in demand for the products of the Group;
- the customers' sales outlook and purchasing patterns;
- the combination of types of products the Group provides to its customers, as the volume and complexity of product affect the margins generally;
- the effectiveness in managing the manufacturing processes and controlling costs;
- the ability to optimize the available manufacturing capability of the Group;
- changes in the cost and availability of labor, raw materials and components, which frequently occur in the industry and which affect the Group's margins and ability to meet delivery schedules;

- the effectiveness in managing the timing of the raw materials purchases so that raw materials are available when needed for production, while avoiding unnecessary inventory accumulation in excess of immediate manufacturing needs;

- timing of new technological development and the qualification of technology by the Group's customers;

- the Group's ability to obtain financing in a timely manner; and

- local conditions and events that may affect the production volumes of the Group, such as labor conditions, stability of energy supply, political instability and local holidays.

The Group may require additional capital in future, which may not be available or may only be available on unfavorable terms

The manufacturing facilities of the Group are highly capital-intensive to construct and maintain. For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, the capital expenditures of the Group amounted to HK$5.1 million, HK$6.4 million and HK$4.4 million, respectively. The future capital requirements may be substantial as the Group seeks to expand its operations, including pursuing acquisitions and significant equity investments. There is no assurance that the Group will have adequate internal and external resources to fund its future capital requirements, and the Group may from time to time need to raise additional funds to meet such capital requirements. However, any equity or debt financing, if available at all, may be on terms that are not favorable to the Group. A large amount of bank borrowings and other debts may result in a significant increase in interest expenses while at the same time exposing the Group to increased interest rate risks. Equity financings could result in dilution to the Shareholders, and the securities issued in future financings may have rights, preferences and privileges that are senior to those of its Shares. If the Group fails to obtain necessary funding on acceptable terms or at all, it may be forced to delay capital investment projects, product development activities, potential acquisitions and investments or otherwise curtail or cease operations.

RISKS RELATING TO THE INDUSTRY

The industry is subject to economic and market conditions. The global financial markets have recently experienced significant deterioration and volatility, and, as a result, may adversely affect the Group's business operations

The Group's business depends substantially on the global economic and market conditions. Slowing economic growth or a recession could have a material adverse effect on the business, financial condition and results of operations of the Group as well as affecting its expansion strategies. Periods of relatively slow economic growth, a recession or public perception that a slowdown or recession may occur, may decrease the demand for the products of the Group, thereby adversely affecting its sales and profitability. For example, during periods of slowing growth or recession, consumer spending power may drop as they are less willing to spend money. As the Group's products are ultimately sold to consumers in the retail market, a drop in consumer spending power could lead to a drop in the amount of purchases from its customers and, in turn, adversely affect the demand of its products thereby adversely affecting the results of operations and financial conditions.

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slowing of economic growth both in the U.S. and globally and a drop in consumer expenditure in general, substantial volatility in equity securities markets, volatility and tightening of liquidity in credit markets. Economic downturn has also affected the purchasing power of the customers and their demands.

It is difficult to predict how long these conditions will exist and which markets and businesses of the Group may be affected. These developments could continue to present risks for an extended period of time for the business, including a potential slowdown in the sales to customers. If this economic downturn continues, business, financial condition and results of operations of the Group may be adversely affected.

The Group operates in a highly competitive industry

The power and data cords industry in general is competitive. For each of the Group's product, the Group competes with other manufacturers, some of which have greater product development, manufacturing, financial or other resources. The lack of resources relative to its competitors may cause the Group to fail to anticipate or respond adequately or in a timely manner to technological developments and customer requirements or to experience significant delays in developing or introducing new products. Moreover, the Group competes in different product lines to various degrees on the basis of price and product quality. The Group cannot assure that it will be successful in expanding its market share against its competitors. If the Group fails to compete successfully, there is likely to be a material adverse effect on its results of operations and financial condition.

The competitive nature of the industry also has resulted in price competition. The Group faces increasing challenges from competitors who relocate to lower cost areas to decrease their costs of production. The Group may lose its customers to its competitors if it fails to keep its total costs at competitive levels for comparable products. The Group may also lose customers if the Group fails to develop the technology and provide the products required by its customers at a rate comparable to its competitors. The Group cannot assure that the Group will be able to competitively develop the technology necessary to retain business or attract new customers. There can also be no assurance that the Group will be able to differentiate itself from other mobile handsets related power and data cords manufacturers due to the high level of standardisation of components in the industry.

RISKS RELATING TO BUSINESS OPERATIONS IN THE PRC

Changes in foreign exchange regulations may adversely affect the Group's financial condition and results of operations and its ability to pay dividends

Conversion of Renminbi is under government regulation in the PRC. Currently, Renminbi is not a freely convertible currency, and the restrictions on currency exchanges in the PRC may limit the Group's abilities to use revenue generated in Renminbi to fund its business activities of the Group outside the PRC. Historically, the PRC government has strictly regulated the conversion of Renminbi into foreign currencies. In recent years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade– and service-related foreign exchange transactions and payment of dividends. In accordance with the existing foreign exchange regulations in the PRC, the Group is able to pay dividends in foreign currencies, without the prior approval from the PRC State Administration of Foreign Exchange, or SAFE, or its authorised local agency by complying with certain procedural requirements. The PRC government may, however, at its discretion, restrict access in future to foreign currencies for current account transactions and prohibit the Group from converting Renminbi into foreign currencies. If this occurs, the PRC subsidiary of the Company may not be able to pay dividends in foreign currency without prior approval of the SAFE or its authorised local agency. In addition, conversion of Renminbi for most capital account items, including direct investments, is still subject to government approval in the PRC and companies are required to open and maintain separate foreign exchange accounts for capital account items. This restriction may limit such subsidiary's ability to repay foreign-currency-denominated indebtedness, purchase raw materials denominated in foreign currencies and pay dividends to the Company.

Political and economic policies of the PRC government could affect the business and results of operations of the Group

The Group operates its leased production facilities in the PRC. The revenues of the Group are also generated from products manufactured in the PRC. Any changes in the political, social and economic environment of the PRC will have a direct impact on the growth of the PRC economy and hence the business and future prospects of the Group. The PRC government has pursued economic reforms with the commencement of its open door policy in 1978 and has expressed its commitment to move further towards a "socialist market economy". However, many of the reforms and economic policies adopted, or to be adopted, by the PRC government are unprecedented or experimental in nature and may have unforeseen results, which may have an adverse effect on enterprises with business presence in the PRC, including the Group.

The Group is subject to risks associated with the PRC legal system

Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws and regulations involves significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by central or local government agencies of the PRC, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. In addition, it may also be difficult to enforce judgments and arbitration awards in the PRC.

Many laws and regulations in the PRC are promulgated in broad principles and the PRC government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon the business, operations or profitability of the Group.

A shortage of electricity supply in the PRC would affect the Group's production and affect its business and financial performance

Part of the Group's revenue is dependent on the continued operations of its production facilities in the PRC. The Group has purchased diesel and generate electricity on ad-hoc basis for its own use in view of the occasional restriction of use of electricity implemented in Guangdong Province in 2008. A future disruption in the supply of electricity, typhoons, floods or other calamities resulting in a prolonged power outage could result in an interruption or delay of the operations of the Group. Any such disruption in the Group's operations could cause it to reduce or halt its production, prevent it from meeting customer orders, adversely affect its business reputation, increase its costs of production or require it to make unplanned capital expenditures, any one of which could materially and adversely affect its business, financial condition and results of operations. During the Track Record Period, the Group had not experienced any material prolonged disruption of electricity supply.

Any future outbreaks of contagious diseases in the PRC may have a material adverse effect on the business operations, financial condition and results of operations of the Group

Any future outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, and swine flu caused by H1N1 virus, or H1N1 flu, may materially and adversely affect the business and results of operations of the Group. In 2009, there were reports on the occurrences of H1N1 flu in certain regions of the world, including the PRC and Hong Kong where the Group operates its principal business. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect the Group's business. There is no guarantee that any future outbreak of avian influenza, SARS, H1N1 flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 flu or other epidemics, will not seriously interrupt the Group's operations or its customers, which may have a material and adverse effect on the results of operations of the Group.

The labour costs of the Group may increase for reasons such as the implementation of the Labour Contract Law of the PRC or unrest or a labour shortage in the places where the Group operates

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the "**New Labour Contract Law**") became effective on 1 January 2008 in the PRC. It imposes more stringent requirements on employers in relation to entering into fixed term employment contracts and dismissal of employees. Pursuant to the New Labour Contract Law, the employer is required to make severance payment to fixed-term contract employees when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or are better than those stipulated in the current employment contract. In general, the amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the New Labour Contract Law. In addition, the employer is also required to enter into non-fixed term employment contracts with employees who have worked for the employer for more than 10 years or, unless otherwise provided in the New Labour Contract Law, to enter into non-fixed term employment contracts with employees whose fixed term employment contracts have been concluded for two consecutive terms since 1 January 2008.

In addition, under the "Regulations on Paid Annual Leave for Employees" (職工帶薪年休假條例) (the "**Regulation**"), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from five to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the New Labour Contract Law and the Regulation, the Group's labour costs may increase. Further, under the New Labour Contract Law, unless the Group terminates its PRC employees' employment contract for cause, the Group may be required to compensate them for such amount which is determined based on their length of service to the Group, and the Group may not be able to efficiently terminate non-fixed term employment contracts under the New Labour Contract Law without cause. In the event the Group decides to significantly change or decreases its workforce, the New Labour Contract Law could adversely affect the ability of the Group to effect these changes cost-effectively or in the manner the Group desires, which could result in adverse impact to its business, operations or profitability.

In addition, if there is a shortage or unrest of labour or for any reason the labour cost in the PRC increases, the cost of production of the Group is likely to increase. This may in turn affect the selling prices of its products, which may then affect the demand of such products and thereby adversely affect the sales and financial conditions of the Group. Increase in costs of other major materials may cause similar adverse effects, particularly if the Group is unable to identify and employ other appropriate means to reduce the cost of production. Furthermore, the Group may not be able to pass on the increased cost to consumers by increasing the selling prices of the products in light of competitive pressure in the markets where it operates. In such circumstances, profit margin of the Group may decrease and its financial results may be adversely affected.

Impact of New Corporate Income Tax Law and Cessation of Tax Incentives

On 16 March 2007, the National People's Congress of PRC passed the Corporate Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), which took effect as of 1 January 2008 and the State Council promulgated the Circular of State Council on Implementing of Transitional Preferential Policies in respect of Corporate Income Tax (中華人民共和國企業所得稅法) (the "**Circular**", and collectively, the "**New Tax Law**") on 26 December 2007. In accordance with the New Tax Law, as of January 1, 2008, enterprises that previously enjoy the preferential policies of low tax rates shall be gradually transited to enjoy the statutory tax rate within 5 years after the implementation of the New Tax Law. Among them, the enterprises that enjoy the corporate income tax rate of 15% shall be subject to the corporate income tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. The enterprises that previously enjoy the tax rate of 24% shall be subject to the tax rate of 25% as of 2008. As of 1 January 2008, the enterprises that previously enjoy "2-year exemption and 3-year half reduction", "5-year exemption and 5-year half reduction" of the corporate income tax and other preferential treatments in the form of tax reductions and exemptions within specified periods may, after the implementation of the New Tax Law, continue to enjoy the relevant preferential treatments under the preferential measures and the time period prescribed in the former tax law, administrative regulations and relevant documents until the expiration of the said time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

The major operating subsidiary of the Group, SunFair SZ, is currently subject to a preferential PRC corporate income tax rate of 12.5% for the years ended 31 December 2008, 2009 and 2010. Such tax incentives enjoyed by SunFair SZ will end after the financial year ended 31 December 2010. The applicable tax rate for SunFair SZ with effect from the year 2011 will be 25%.

The increase in the corporate income tax rate from 12.5% to 25% from the year ending 31 December 2011 onwards will result in an increase in the Group's tax expenses, which will have a material adverse impact on the profitability. In addition, there is no assurance that there will not be changes to laws relating to PRC taxation in future which may in turn have an adverse impact on the profitability of the Group. Any increase in the effective tax rate as a result of the New Tax Law and/or cessation of the Group's current tax incentives will affect its financial performance.

SunFair HK is subject to withholding tax on dividends received from SunFair SZ thus the ability to pay dividends to the Shareholders by the Company may be affected

The Company is incorporated in the Cayman Islands, and substantially all of its income will come from dividends that it receives from its subsidiaries and dividends received from SunFair SZ, the Company's PRC subsidiary, is subject to PRC withholding tax. Before the New Tax Law came into effect, dividends derived from its business operations in the PRC were not subject to income tax under PRC law. Under the New Tax Law, dividends payable to foreign investors that are "derived from sources within the PRC" may be subject to income tax at the rate of 10% by way of withholding, unless otherwise reduced by PRC laws, rules and regulations or through agreements between the PRC Government and the government of other countries or regions. Under a special arrangement between China and Hong Kong, such withholding tax rate for dividends is reduced to 5% if a Hong Kong resident enterprise owns over 25% of the capital of the PRC company distributing the dividends. As SunFair HK owns 100% of the registered capital of SunFair SZ, according to the aforementioned arrangement, any distribution of dividends from SunFair SZ to SunFair HK will be subject to a withholding tax at the rate of 5%. Such withholding tax will in turn reduce the amount of dividends or other distributions the Company receives and restrict its ability to pay dividends to the Shareholders.

The corporate structure may restrict the ability of the Company to receive dividends from, and transfer funds to, its PRC subsidiary, which could restrict its ability to act in response to changing market conditions in a timely manner

The Company is a Cayman Islands holding company and substantially most of its operations are conducted through its PRC subsidiary. Please see section headed "History, Development and Corporate Structure" for details. The ability of its PRC subsidiary to make dividend and other payments to the Group may be restricted by factors that include changes in applicable foreign exchange and other laws and regulations. In particular, under PRC law, the PRC subsidiary may only pay dividends after 10% of its net profit has been set aside as reserve funds, unless such reserves have reached at least 50% of its registered capital. In addition, the profit available for distribution from the Company's PRC subsidiary is determined in accordance with generally accepted accounting principles in China. This calculation may differ if it were performed in accordance with HKFRSs. As a result, the Company may not have sufficient distributions from its PRC subsidiary to enable necessary profit distributions to its Shareholders in future, which would be based upon its financial statements prepared under HKFRSs.

Distributions by the Company's PRC subsidiary to the Group other than as dividends may be subject to governmental approval and taxation. Any transfer of funds from the Company to its PRC subsidiary, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of PRC governmental authorities, including the relevant administration of foreign exchange and/or the relevant examining and approval authority. These limitations on the free flow of funds between the Company and its PRC subsidiary could restrict its ability to act in response to changing market conditions in a timely manner.

Failure to comply with environmental regulations could harm the Group's business

The Group is subject to various environmental laws and regulations in the PRC, including laws regulating the generation, storage, handling, use and transportation of waste materials; the emission and discharge of waste materials and the health and safety of employees. The Group is also required to obtain and comply with environmental permits for certain operations. In addition, the Group is responsible for clean-up in the event that the operations of the Group result in contamination at its manufacturing facilities. Although there has been no material past non-compliance, these is no assurance that the Group will at all times be in complete compliance with such laws, regulations and permits. If the Group violates or fails to comply with the requirements, the Group could be fined or otherwise sanctioned by regulators. If more stringent compliance or clean-up standards under environmental laws or regulations are imposed, or the results of future testing and analysis at the operating facilities indicate that the Group is responsible for the release of hazardous substances, the Group may be subject to additional remediation liability. Additional environmental matters may also arise in future at sites where no problem is currently known or at sites that the Group may acquire or lease in future. Moreover, some of the Group's customers impose additional requirements with regard to environmental protection in their purchase agreements with the Group. Any non-compliance with environmental standards established by applicable laws and regulations or imposed by the customers could have a material adverse effect on the Group's operations and future prospects.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yeung Tin Hung (楊天洪)	Flat C, 26th Floor Block 1, Castello 69 Siu Lek Yuen Road Shatin Hong Kong	Chinese
Mr. Yeung Shing Wai (楊成偉)	Flat C, 26th Floor Block 1, Castello 69 Siu Lek Yuen Road Shatin Hong Kong	Chinese
Mr. Zhou Yu Hui (周煜輝)	Room 206, Unit 3, No.21 Building Ninth Zone, Taoyuan Garden Qianjin'er Road, Xixiang Village Baoan District Shenzhen Guangdong Province The PRC	Chinese
Mr. Chen Tian Gang (陳天鋼)	Room 510, Unit B Fenghua Garden No. 23 Zone Baoan District Shenzhen Guangdong Province The PRC	Chinese
Independent non-Executive Directors		
Mr. Li Hin Lung (李顯龍)	Flat 2503, 25th Floor Lai Choi House Lai Yan Court Lai Chi Kok, Kowloon Hong Kong	Chinese
Mr. Chua Hoon Chong (蔡奮沖)	Flat A, 2nd Floor Block 5, Site 12 Whampoa Garden Hung Hom, Kowloon Hong Kong	Singaporean
Mr. Chan Kai Wo (陳啟和)	Flat A, 3rd Floor Belaire Heights 112 Waterloo Road Ho Man Tin, Kowloon Hong Kong	British

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal place of business in Hong Kong	Flat A-C, 9th Floor Yue Cheung Centre 1-3 Wong Chuk Yeung Street Fotan, Shatin, New Territories Hong Kong
Headquarters	Block Nos. 3, 4 and 5 Dong Feng Industrial Area Song Gang Community Song Gang Sub-district Baoan District Shenzhen Guangdong Province The PRC
Company's website	www.sunfairw.com.hk (information contained in this website does not form part of this document)
Company secretary	Ms. Kwok Tsz Ling, *ACCA, CPA*
Audit committee	Mr. Li Hin Lung *(Chairman)* Mr. Chua Hoon Chong Mr. Chan Kai Wo
Nomination committee	Mr. Yeung Tin Hung *(Chairman)* Mr. Li Hin Lung Mr. Chua Hoon Chong
Remuneration committee	Mr. Yeung Tin Hung *(Chairman)* Mr. Li Hin Lung Mr. Chua Hoon Chong
Principal banker	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

SOURCE OF INFORMATION

CCID Consulting Co., Ltd. ("**CCID Consulting**") is a Chinese consulting firm and an Independent Third Party, which focuses on providing market research and consulting services for sectors including electronics, telecommunications, energy, automobile and others. Certain market information in this document is quoted from the 2009-2010 Annual Report of China's Mobile Phone Market 《2009-2010年中國手機市場研究年度總報告》 and an extract of the 2010-2011 Annual Report on China's Mobile Phone Market (《2010-2011年中國手機市場研究年度總報告》)(the "**Mobile Handset Reports**") published by CCID Consulting in February 2010 and February 2011, respectively. The Mobile Handset Report were not commissioned by the Group. The sources of data and analysis in the reports include 中國工業和信息化部 (Ministry of Industry and Information Technology of the People's Republic of China) and 中國信息產業商會 (China Information Trade Association). CCID Consulting is listed on [●] and has obtained the ISO 9001: 2000 certification.

POWER CORD MARKET

The power cord is a cord or cable to connect an electronic or electrical appliance to the circuits of an electrical power source via a wall socket or extension cord. The major product types of power cord include the power cord for electrical appliance and power and data cord for electronic products. Nowadays, some cables with USB interface (e.g. micro-USB, a modified type of USB) can be used for both power charging and data transmitting for electronic products. The universal adoption of USB cables has long term impact on the development of the power cord industry.

The following table sets forth the technical safety approvals and standard certifications by different testing and certification organisations in different countries:

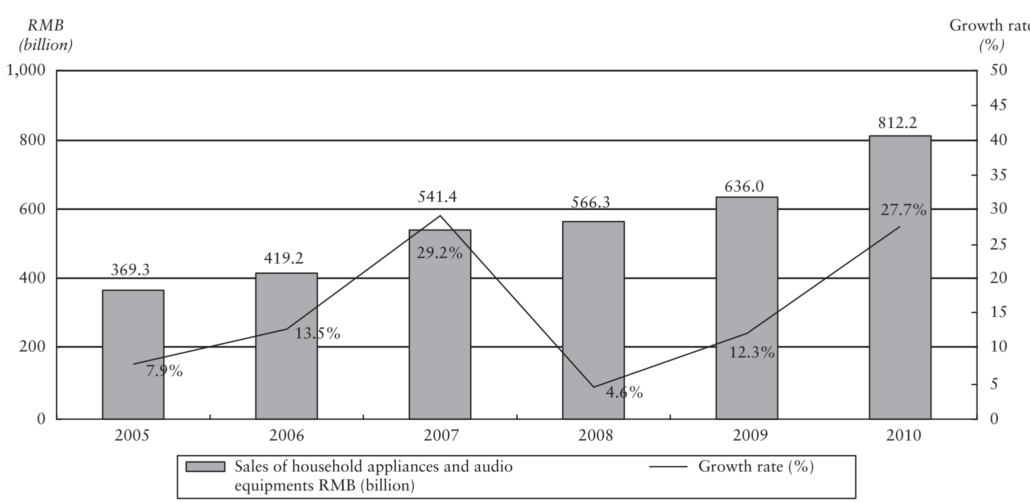
Country	Certification Mark	Abbreviation	Testing laboratories/ testing and certification organization
Austria	OVE Mark	OVE	Austrian Electrotechnical Association
Australia	SAA Mark	SAA	Department of Fair Trading, NSW Consumer Protection Agency
Canada	CSA Mark	CSA	CSA International
Denmark	D Mark	DEMKO	UL International Demko A/S
Finland	FI Mark	FIMKO	SGS Fimko Ltd.
Germany	VDE Mark	VDE	VDE Association for Electrical, Electronic and Information Technologies
Japan	PSE Mark	PSE	Japan Electrical Safety & Environment Technology Laboratories

Country	Certification Mark	Abbreviation	Testing laboratories/ testing and certification organization
Netherlands	KEMA-KEUR Mark	KEMA	KEMA Quality B.V.
Norway	Nemko's N Mark	NEMKO	Nemko AS
PRC	China Compulsory Certification Mark	CCC	China Quality Certification Centre
Sweden	S Mark	SEMKO	Intertek Semko AB
Switzerland	Swiss Safety Mark	SEV	Federal Inspectorate for Heavy Current Installations
United kingdom	Kitemark	BS	British Standards Institution
US	UL Mark	UL	Underwriters Laboratories Inc.

POWER CORD FOR HOUSEHOLD APPLIANCE

The total sales of the household appliances and audio equipments in the PRC increased from approximately RMB369.3 billion in 2005 to approximately RMB812.2 billion in 2010, representing a CAGR of approximately 17.1%. With the increase of sales of household appliances both worldwide and in the PRC, the power cord industry has grown rapidly over the years.

The total sales and growth of the household appliance, 2005-2010



Source: National Bureau of Statistics of China

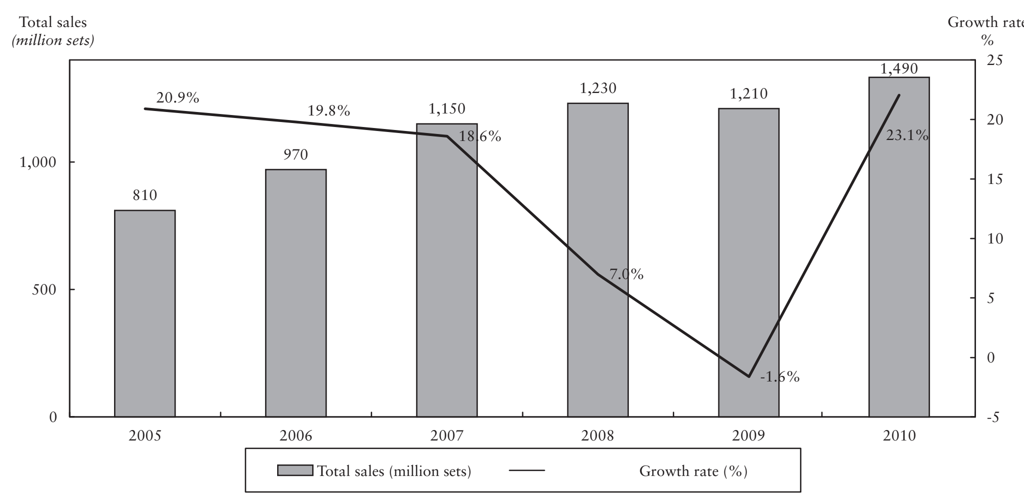
There are two basic standards for voltage and frequency in the world. One is the North American standard of 120 volts at a frequency of 60 Hz and the other is the European standard of 220-240 volts at 50 Hz. Countries on other continents have adopted one of these two voltage standards, some countries use variations or a mixture of standards. Hence, electrical plugs and sockets differ from country to country in shape, size and type of connectors. The type used in each country is set by different national standards legislations.

MOBILE HANDSET POWER AND DATA CORD

Mobile handset power and data cord is an essential accessory for all mobile handsets to recharge the battery and transfer data in and out from the mobile handset. The demand for mobile handset power and data cord largely depends on the demand and sales of mobile handset.

The global mobile handset market

The following chart illustrates the global sales in terms of number of mobile handsets and growth rate from 2005 to 2010:

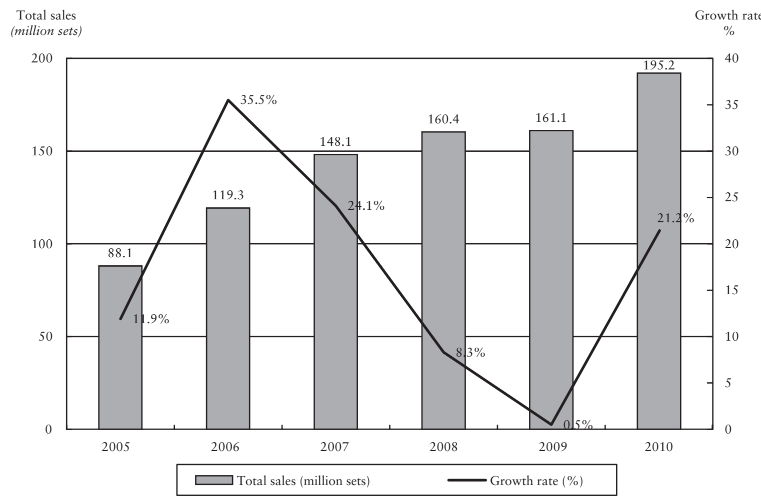


Source: *CCID Consulting*

The volume of global sales of mobile handset increased from approximately 810 million sets in 2005 to approximately 1.49 billion sets in 2010, representing a CAGR of approximately 13.0%. The sales of mobile handset experienced a mild decrease in 2009. According to the the Mobile Handset Reports, such decline was mainly due to the conservative speeding attitude of the consumers as a result of the global economic downturn. With the growing demand for 3G mobile handsets with more functions, the demand of mobile handsets is expected to increase in the coming few years.

Overview of the PRC mobile handset market

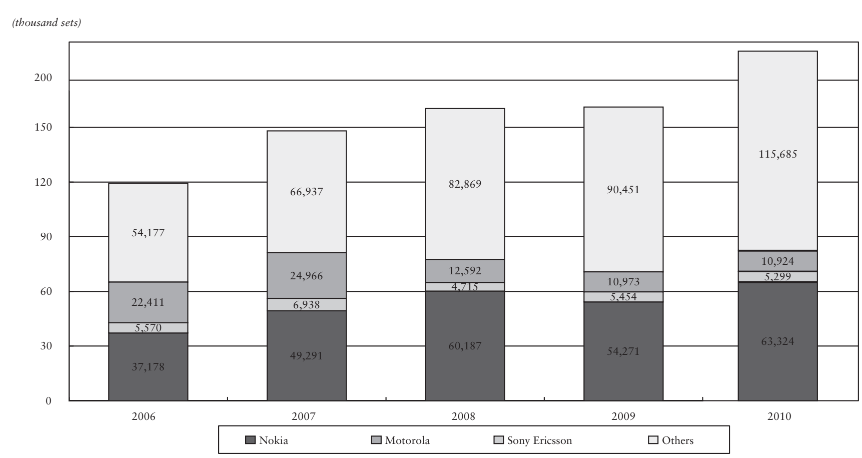
The robust economic development and the boom in the telecommunication industry in the PRC has driven the demand for the mobile handset services in the recent years, leading to the demand for the mobile handset and the mobile handset power and data cords. The table below sets out the volume of sales of annual mobile handsets and the growth rate from 2005 to 2010 in the PRC:



Source: *CCID Consulting*

According to the Mobile Handset Reports, the volume of sales of mobile handset in the PRC increased from approximately 88.1 million sets in 2005 to approximately 195.2 million sets in 2010, representing a CAGR of approximately 17.2%.

The volume of sales of mobile handsets in the PRC by the major brands from 2006 to 2010 are illustrated below:

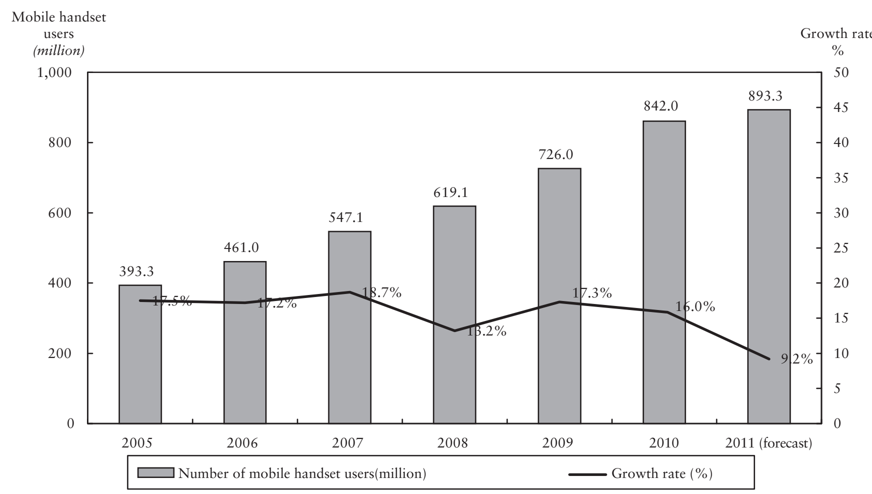


Source: *CCID Consulting*

As illustrated above, the volume of sales of mobile handsets by the major brands increased from approximately 119 million sets in 2006 to over 195 million sets in 2010, representing a CAGR of approximately 13.1%. In 2006 and 2007, Nokia and Motorola were the best selling brands amongst others. The aggregate sales of Nokia and Motorola branded mobile handsets accounted for a majority share in the PRC market of approximately 38.0% in 2010.

Increase in penetration rate of mobile handset in the PRC

The chart below illustrates the number of mobile handset users in the PRC and the growth rate from 2005 to 2011 (forecast)



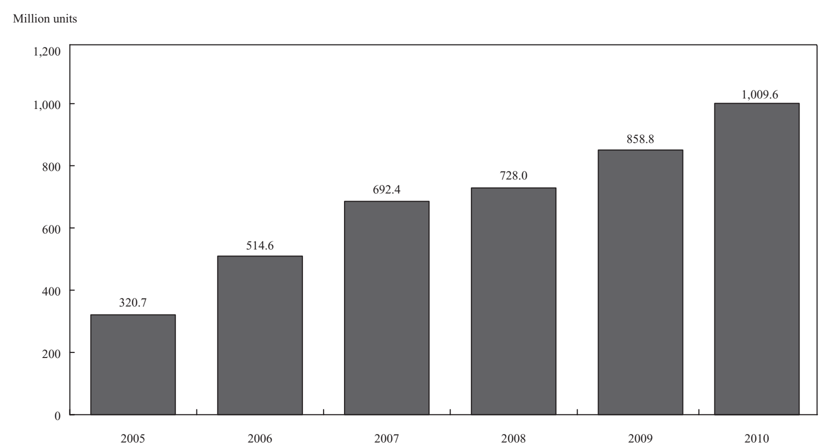
Source: *CCID Consulting*

According to the Mobile Handset Reports, the PRC has become the largest market of mobile handset users in the world. From 2005 to 2010, the number of mobile handset users in the PRC increased significantly from approximately 393.3 million to approximately 842.0 million, representing a CAGR of approximately 16.4%. In addition, the PRC Ministry of Finance and the PRC Ministry of Commerce jointly published the Notice Concerning Implementation Measures under the Home Appliances Going to the Rural Areas Program ("家電下鄉試點工作實施方案") and Detailed Operation Rules for Home Appliances Going to the Rural Areas ("家電下鄉操作細則") on 26 November 2007 and 16 April 2009, respectively, pursuant to which the PRC government intended to realize the purchasing potential of the rural area by subsidizing the purchase of certain electric appliances, in particular those mobile handsets with retailing price of less than RMB1,000 per unit, which further boosted the mobile handset retailing market in the PRC.

Increase in production output of mobile handset in the PRC

Given the relatively lower labour cost, the PRC has been one of the largest OEM manufacturing bases in the world, in particular for mobile handset production. The annual mobile handset production output in the PRC underwent an increase from approximately 320.7 million units in 2005 to 1,009.6 million units in 2010, representing a CAGR of approximately 25.8%. The table below illustrates the mobile handset production in the PRC from 2005 to 2010:

Mobile handset production in the PRC



Source: *CCID Consulting*

With the continuous growing trend of mobile handset production in the PRC, the Directors expect that the production of mobile handset power and data cords in the PRC will also experience a similar growing trend.

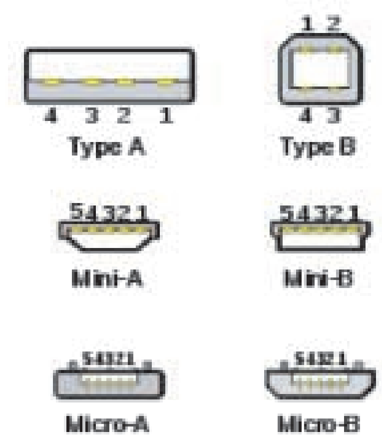
The mobile handset power and data cord industry

Mobile handset power and data cord can be classified into two types: ordinary 2-pin mobile handset power and data cord and 5-pin micro-USB mobile handset power and data cord, which are designed to be used under different voltages. Currently, the mobile handset power and data cord market is widely dominated by the ordinary 2-pin mobile handset power and data cord. There is a wide variety of ordinary mobile handset power and data cord with different DC connectors. Ordinary 2-pin mobile handset power and data cords are generally not universal, and are usually designed to accommodate just one specific brand of mobile handsets.

USB standard connectors

USB is a standard connector interface for the power and data cords of electronic peripheral devices. With its 5-pin configuration, a USB connection is always between a host at the "A" connector end and a device with "B" connector at the other end preventing erroneous loop connection. Various types of connectors have been used for smaller devices such as personal digit assistants, mobile phones and digital camera including mini-A USB connector, mini-B USB connector, micro-A USB connector and micro-B USB connectors. The dimensions of mini-type USB connectors are approximately 3mm by 7mm whilst the micro-type USB connectors have similar width but approximately half the thickness, enabling the integration into thinner portable devices. Dimension of micro-type USB connector is 1.8mm by 6.85mm with a maximum overmold size of 11.7mm by 8.5mm.

The diagram below demonstrates the physical appearance of different types of USB standard connectors:



On 14 December 2006, the then PRC Ministry of Information Technology ("中華人民共和國信息產業部"), which was subsequently consolidated into Ministry of Industry and Information Technology of the PRC ("中華人民共和國工業和信息化部") in 2008, published the Technical Requirements and Test Method of Power and Data Cord and Interface for Mobile Telecommunication Terminal Equipment ("移動通信手持機充電器及接口技術要求和測試方法") to set out new standards for mobile telecommunication industry, pursuant to which all the mobile handsets designed after 14 June 2007 in the PRC must adopt the power and data cord interface based on USB.

On 17 February 2009, GSMA and certain leading mobile operators and manufacturers announced that they were committed to implementing a cross-industry standard of a universal charger for mobile handsets, and has set a target that by 2012 a universal charging solution will be widely available in the market worldwide adopting micro-USB as the common universal charging interface. In June 2009, 14 major mobile handset manufacturers, including Nokia, SonyEricsson and Motorola, signed a memorandum of understanding in relation to the harmonization of chargers for data-enabled mobile handsets sold in the European Union. On 29 December 2010, new technical standards of micro-USB interface for data-enabled mobile phones were published by the European Standardisation Bodies. This effectively means that mobile phone manufacturers can now proceed with the manufacture of a common mobile phone charger.

HDMI connectors

There are four different types of HDMI connectors, namely Type A HDMI connector, Type B HDMI connector, Type C HDMI connector and Type D HDMI connectors. Type C HDMI connector is a mini connector defined in the HDMI 1.3 specification and is intended for portable devices. It is smaller than the Type A HDMI connector (with dimensions of 10.42mm by 2.42mm) but has the same 19-pin configuration, each of such copper conductors is jacketed with teflon material. Type D is a micro connector defined in the HDMI 1.4 specification and keeps the standard of 19 pins of Type A and Type C but shrinks the connector size to something resembling a micro-USB connector. The Type D connector is 2.8mm by 6.4mm, whereas the Type C connector is 2.42mm by 10.42mm.

In the event of blaze, halogen-containing plastic material releases, e.g. hydrogen chloride, a poisonous gas that forms hydrochloric acid when it comes in contact with water. Halogen-free cables do not produce dangerous gas/acid combinations or toxic smoke when exposed to flame. The use of halogen-free cables in electrical and electronic products is expected to increase over the coming years. This increase is driven by industry initiatives and legislation aimed at protecting the environment and human health. At the moment the greatest emphasis towards halogen-free products is occurring in Japan and the European Union.

In view of the aforesaid, the Directors believe the aforementioned favorable policies will boost the demand for halogen-free mobile handset power and data cords, especially the universal mobile handset power and data cord with USB and HDMI interface.

Competitive landscape of the mobile handset power and data cord industry in the PRC

Most players within the China mobile handset power and data cord market are relatively small to medium-scale domestic manufacturers. The Directors believe this market is highly fragmented sharing approximately 14.7% of the global power and data cord market. Due to the relatively low entry barrier and strong demand prospects, the mobile handset power and data cord market has experienced fierce competition. In order to maximise turnover, mobile handset power and data cord manufacturers must assure high level of product quality and short production lead time with high volume. With a more stringent environment, smaller companies are expected to be forced out of the market, and market leaders with established brands and proven quality are expected to gradually absorb the smaller companies' market shares.

The PRC is one of the destinations of choice for outsourcing. The most outstanding virtue of the PRC as an outsourcing destination is its comparatively low labour cost. Although the labour cost of the PRC is soaring recently due to the government policies and currency appreciation, the Directors believe that the general PRC outsourcing market would shift from low-end to the high-end in order to maintain its competitive edge. In addition, the Directors believe that the OEM manufacturers in the PRC will gradually relocate their production facilities from the coastal areas to the inland areas of the PRC to reduce their costs and maintain their competitive edges.

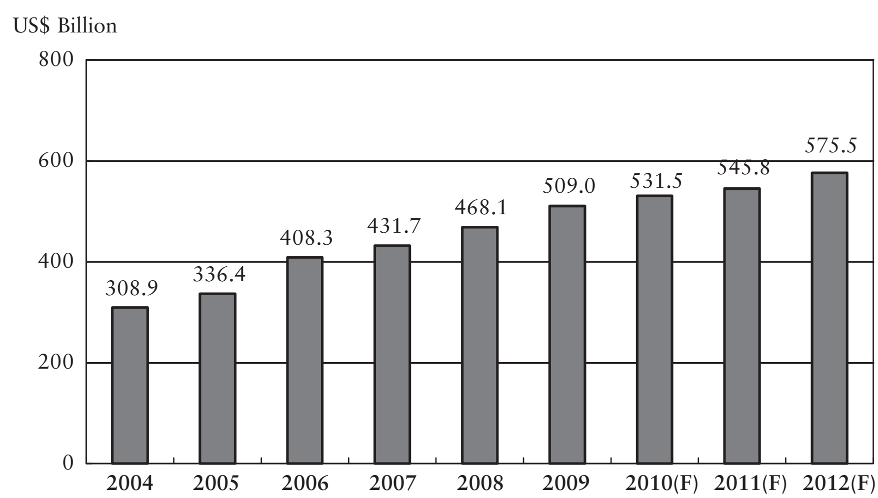
MEDICAL CONTROL DEVICE MARKET

The United States healthcare reform

On 23 March 2010, the United States government passed the Affordable Care Act. The law puts into place comprehensive health insurance reforms that will hold insurance companies more accountable and will lower health care costs, guarantee more health care choices, and enhance the quality of health care for all United States citizens. According to the United States government website, over 7,900 community health centers around the country currently provide high-quality care to nearly 19 million United States citizens each year, often as the primary source of healthcare in low-income or rural communities. The law includes new funding of approximately US$11 million to support the establishment and expansion of services at community healthcare centers, allowing these centers to serve 20 million new patients across the country over the next ten years. The changes will be implemented through 2014 and beyond.

Increase in demand of expenditures on medicare in the United States

Total Expenditures on medicare in the United States



Source: *The 2010 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance published by the Centers for Medicare and Medicaid Services of the United States (http://www.cms.gov/ReportsTrustFunds/downloads/tr2010.pdf)*

Medicare is a social insurance program administered by the United States government, providing health insurance coverage to people who are aged 65 or over, or who meet other special criteria. As indicated in the chart above, expenditures on medicare in the United States increased from US$308.9 billion in 2004 to US$509.0 billion in 2009, representing a CAGR of approximately 10.5% and are expected to continue the increasing trend in future at a CAGR of approximately 4.1% for the period from 2010 to 2012. According to the 2010 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance, the healthcare cost, including that for the Medicaid, is affected by the following factors:

(i) the growth in the number of beneficiaries;

(ii) increases in the price paid per service, which reflect higher prices for the goods and services purchased by health care providers;

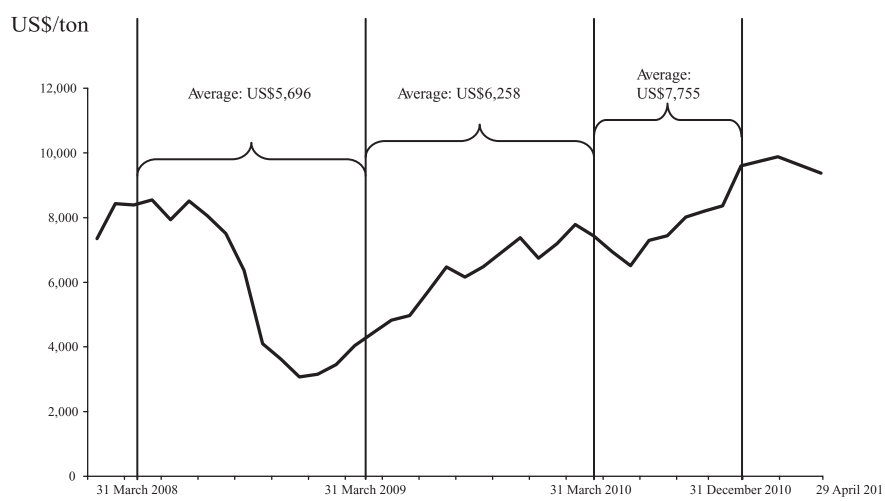
(iii) increases in the average complexity of services

With the effects of the provisions of the Affordable Care Act, the Directors believe that the expenditures on medicare will increase significantly and the increment of the community health centers may increase the demand of the medical control devices. In addition, the increase in the prices for goods purchased by health care provider may indicate an expected increase of the price of medical control devices in future.

COPPER MARKET

A major material of power and data cord products is copper. The high demand of copper is due to its wide range of industrial applications and outstanding performance in the conduction of both heat and electricity and high resistance to corrosion. The demand and supply of copper is generally determined by the economic and financial climate and outlook of the respective market participants. The copper price data in the PRC are based on the copper prices quoted on the London Metal Exchange.

The chart below illustrates the movement in copper monthly end closing spot prices on the London Metal Exchange between January 2008 and April 2011:



Source: Bloomberg

During the period from January 2008 to December 2010, the month end closing prices of copper fluctuated from US$3,070 to US$9,600. During the Track Record Period, the month end closing price of copper experienced a significant increment from US$4,431 in April 2009 to US$9,600 in December 2010, representing an increase of approximately 1.2 times. The average of the month end closing price of copper was US$5,696 from April 2008 to March 2009 while the average of the month end closing price of copper was US$6,258 from April 2009 to March 2010. During the period from April 2010 to December 2010, the average of the month end closing price experienced a further increase to US$7,755.

Establishment of Foreign Invested Company

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2007 Revised) (《外商投資產業指導目錄》(2007年修訂版)) which was issued by the Ministry of Commerce and National Development and Reform Commission as of 31 October 2007 and came into force as of 1 December 2007, and pursuant to SunFair SZ's business scope, SunFair SZ's business may be defined as "Permitted" foreign investment industry. The processing, manufacturing and distribution of power plug cord, electric wire and socket etc. may be classified as "Permitted" industry, and the road freight transport business may be classified as "Encouraged" industry.

Compulsory Product Certification

The Regulation Concerning Management of Compulsive Product Certification issued by the State Administration of Quality Supervision, Inspection and Quarantine came into force as of 1 May 2002, and was annulled and substituted by the Provisions on the Administration of Compulsory Product Certification ("the **Provisions**") (《強制性產品認證管理規定》), which was promulgated as of 2 July 2009 and came into force as of 1 September 2009. Pursuant to the Provisions, the producers, distributors and importers shall authorize the designated certification institutions to certify the products listed in certain catalogues. According to the Catalogue of the First Batch of Products subject to Compulsory Product Certification (the "**First Batch Catalogue**") (《第一批實施強制性產品認證的產品目錄》), which was promulgated and became effective as of 3 December 2001, electric wire and cable products are subject to compulsory product certification.

Processing Trade Law

The Circular of the Ministry of Foreign Trade and Economic Cooperation on Printing and Distributing Provisional Measures for the Management of Examination and Approval of Processing Trade [1999] No. 314) (the "**Circular No. 314**") (《對外貿易經濟合作部關於印發 <加工貿易審批管理暫行辦法>[1999年]第314號的通知》) was promulgated as of 27 May 1999 and became effective as of 1 June 1999. Pursuant to the Circular No. 314, prior to engaging in the processing trade, the operation enterprise shall make an application to the competent examination and approval authority and obtain The Approval Certificate for Processing Trade.

The Measures of the Customs of the People's Republic of China on the Control of Processing Trade Goods (the "**Measures**") (《中華人民共和國海關對加工貿易貨物監管辦法》) was promulgated by the Order No. 113 of the General Administration of Customs as of 26 February 2004 and was amended by the order of No. 168 of the General Administration of Customs as of 4 January 2008. Pursuant to the Measures, (i) the filing for records, import and export customs declaration, processing, regulation, and verification and writing-off processing trade goods is regulated by the customs, an operating enterprise shall go through the formalities for filing for record of the processing trade goods with the customs of the place where the processing enterprise is located; (ii) an operating enterprise shall make import and export customs declaration of processing trade goods by taking with it such relevant documents as the manual of processing trade, and the special customs declaration form; (iii) the operating enterprise shall process and re-export the imported materials within the prescribed time limit, and shall report to the customs for verification and writing-off within 30 days from the day of export of the last batch of finished products under the manual of processing trade or the day of expiration of the manual of processing trade; and (iv) if due to certain reasons, the imported materials or finished products under processing trade need to be sold on the domestic market, the customs may, on the strength of the valid document of approval for domestic sale issued by the competent authority, collect taxes on the bonded imported materials according to law and collects additional interest for late tax collection; where the imported materials fall within the import restrictions imposed by the state, the operating enterprise shall also submit import license to the customs.

Product Quality Law

The Product Quality Law of the PRC (《中華人民共和國產品質量法》), (the "Product Quality Law") was promulgated on 22 February 1993 and amended on 8 July 2000. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Consumer Protection Law

The Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the "Consumer Protect Law") was enacted on 31 October 1993 and took effect on 1 January 1994. According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities for the purposes of daily consumption or those who receive services are protected and all manufacturers and distributors involved must ensure that the products and services will not cause damage to persons and properties.

Labour Law

The Group is subject to the PRC Labour Law (中華人民共和國勞動法) (the "**PRC Labour Law**"), the PRC Labour Contract Law (中華人民共和國勞動合同法) (the "**New Labour Contract Law**") and the Implementations Regulations of the PRC Labour Contract Law (中華人民共和國勞動合同法實施條例) (the "**New Implementation of Labour Contract Law**"), as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for the Group operations in the PRC.

The New Labour Contract Law which became effective on 1 January 2008, calls for stricter requirements in human resources management in terms of signing labour contracts with employees, stipulating probation and violation penalties, dissolving labour contracts, paying remuneration and economic compensation, as well as social security premiums.

According to the PRC Labour Law and the New Labour Contract Law, enterprises must enter into labour contracts if they are to establish labour relationships with the employees. Enterprises must provide wages, which are no lower than the local minimum wage standards, to such employees and are required to establish labour safety and sanitation systems, strictly abide by PRC rules and standards and provide relevant training to the employees. Enterprises must also provide the employees with working conditions that meet PRC rules and standards for safety and sanitation and must regularly examine the health of the employees engaged in hazardous occupations.

The Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, the Group complied with all applicable labour and safety laws and regulations, including but not limited to the New Labour Contract Law in all material respects.

According to the Notice of Adjustment of Shenzhen Minimum Wage Standard promulgated by Human Resources and Social Security Bureau on 28th June 2010, the minimum wage of Shenzhen full-time employees was increased to RMB1,100 per month and the minimum wage of Shenzhen non-full time employees was increased to RMB9.8 per hour since 1 July 2010.

According to the Notice of Adjustment of Shenzhen Minimum Wage Standard promulgated by Human Resources and Social Security Bureau on 11th March 2011, the minimum wage of Shenzhen full-time employees was increased to RMB1,320 per month and the minimum wage of Shenzhen non-full time employees was increased to RMB11.7 per hour, the aforementioned standard was enforced since 1st April 2011.

Foreign Exchange

On 28 December 1993, the People's Bank of China announced that the dual exchange rate system for RMB against foreign currencies would be abolished with effect from 1 January 1994 and be replaced by the unified exchange rate system. Under the new system, the People's Bank of China publishes the RMB exchange rate against the US$ daily. The daily exchange rate is set by reference to the RMB/US$ trading price on the previous day on the "inter-bank foreign exchange market".

On 1 April 1996, the Foreign Exchange Control Regulations of the PRC (as amended on 14 January 1997 and further amended on 1 August 2008) came into effect. On 20 June 1996, the Regulations on Sale and Purchase of and Payment in Foreign Exchange were promulgated by the People's Bank of China and came into effect on 1 July 1996. On 25 October 1998, the People's Bank of China and SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, foreign exchange transactions for foreign investment enterprises may only be conducted at designated banks. In addition, some of the swap centres would be abolished, while the others which are already linked up with the China Foreign Exchange Trading Centre (the "**CFETC**") by the computerised network will be merged with the CFETC and sub-centres to the CFETC.

In summary, the present position under the PRC law relating to foreign exchange control, taking into account the promulgation of the recent new regulations and the extent to which the existing provisions stipulated in previous regulations do not contradict these new regulations, are as follows:

(a) From 21 July 2005, the PRC reformed the exchange rate regime by moving into a managed floating rate regime based on market supply and demand with reference to a basket of currencies. RMB will no longer be pegged to the US dollar and the RMB exchange rate regime will be improved with greater flexibility. The People's Bank of China will announce the closing price of a foreign currency such as the US dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day.

(b) On 12 August 2007, SAFE promulgated the SAFE Circular on Self-reserving Income from Current Transaction by PRC Enterprises (《國家外匯管理局關於境內機構自行保留經常項目外匯收入的通知》), pursuant to which the PRC enterprises are allowed to reserve the foreign exchange earnings from current transaction and the banks shall not use the maximum limit to administrate the opening of foreign exchange accounts or the payments of foreign exchange.

According to the prevailing Foreign Exchange Control Regulations of the PRC which was amended on 1 August 2008, PRC enterprises shall be allowed to either repatriate their incomes of foreign exchange to the PRC or deposit such incomes overseas, subject to the terms and conditions implemented by SAFE.

(c) Foreign investment enterprises may have their own foreign currency account and are permitted to retain their recurrent foreign exchange earnings.

(d) Foreign investment enterprises which require foreign exchange for their ordinary trading activities such as trade services and payment of interest on foreign debts may purchase foreign exchange from designated foreign exchange banks if the application is supported by proper payment notices or supporting documents.

(e) Foreign investment enterprises may require foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as distributing profits to their foreign investors. They can withdraw funds in their foreign exchange bank accounts kept with designated foreign exchange banks, subject to the due payment of tax on such dividends. Where the amount of the funds in foreign exchange is insufficient, the enterprise may, upon the presentation of the resolutions of the Directors on the profit distribution plan of the particular enterprise, purchase foreign exchange from designated foreign exchange banks.

(f) Foreign investment enterprises may apply to the Bank of China or other designated foreign exchange banks to remit the profits out of the PRC to the foreign parties to equity or cooperative joint ventures or the foreign investors in wholly foreign-owned enterprises if the requirements provided by the PRC law, rules and regulations are met.

(g) The injection of funds into the subsidiaries of the Group in the PRC for the purposes of business expansion may be subject to prior approvals from the competent foreign exchange administration authorities.

(h) Where the foreign investment enterprise is wound up or in the process of winding up for any reasons and there is residual assets after settlement of all debts or liabilities including taxes pursuant to the PRC liquidation law, the liquidation committee may, through the designated bank, purchase and remit the foreign exchange to its foreign shareholders by presentation of the liquidation documents, the tax settlement certificate and approval by SAFE.

As one of the subsidiaries of the Company is located in the PRC, the Group is required to comply with the PRC foreign exchange controls, as set out above, when the Group transfers funds from its PRC subsidiary to its non-PRC subsidiaries (whether in the form of dividend or not). Save as disclosed above, there are no restrictions on the ability of the Company's PRC subsidiary to transfer funds to the Company in the form of dividends.

The Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, the Group complied with all applicable foreign exchange laws and regulations, including but not limited to the laws and regulations mentioned above in all material respects, and up to the Latest Practicable Date the Group has not been subject to any administrative penalties imposed by any government authorities with respect to foreign exchange.

Taxation

(i) Corporate Income Tax

According to the PRC Corporate Income Tax Law (《中華人民共和國企業所得稅法》) which came into effect on 1 January 2008 (the "**New Tax Law**"), the income tax rate for both domestic-invested enterprieses and foreign-invested enterprises is 25% and the local income tax ceased to be applicable from 1 January 2008 onwards.

On 26 December 2007, the State Council promulgated the Circular of State Council on Preferential Policy for Implementing Corporate Income Tax Transition (《國務院關於實施企業所得稅過渡優惠政策的通知》). Pursuant to such circular, an enterprise which enjoyed preferential treatment shall gradually transit to the rate of 25%, i.e. an enterprise that was used to enjoy the preferential corporate income tax of 24% should be subject to the corporate income tax of 25% from 1 January 2008 whilst an enterprise that was used to enjoy the preferential corporate income tax of 15% should be subject to the corporate income tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 respectively.

For an enterprise enjoying the preferential policy of Two-year Exemption and Three-year 50% Reduction will continue such enjoyment until its preferential period is completed according to the original PRC laws, administrative regulations and provisions. However, regarding those enterprises that are not profit-making and hence, have not enjoyed the aforesaid preferential policy, the New Tax Law shall commence from 1 January 2008.

Losses incurred in a tax year may be carried forward for not more than 5 years.

According to the Notice of the Ministry of Finance and State Administration of Taxation on Several Preferential Policies on Corporate Income Tax (《財務部、國家稅務總局關於企業所得稅若干優惠政策的通知》) (the "**FM&SAT Notice**"), other than the preferential policies provided by the New Tax Law, the Implementation Regulations on the PRC Corporate Income Tax Law (《中華人民共和國企業所得稅法實施條例》), the Circular of State Council on Preferential Policy for Implementing Corporate Income Tax Transition (《國務院關於實施企業所得稅 過渡優惠政策的通知》), the Notice of State Council concerning the Transitional Preferential Tax on the High-tech Enterprises Newly Incorporated in Special Economic Zones and Shanghai Pudong New District (《國務院關於經濟特區和上海浦東新區新設立高新技術企業實行過渡性稅收優惠的通知》) and the FM&SAT Notice, all the preferential policies on corporate income tax implemented before 1 January 2008 are annulled. None of the various regions or departments shall exceed the power to issue preferential policies on corporate income tax.

(ii) Value Added Tax

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax promulgated by the State Council came into effect on 1 January 1994, as amended on 5 November 2008. Under these regulations and the implementation of the Rules of the Provisional Regulations of the People's Republic of China Concerning Value Added Tax, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

The value-added tax rates shall be as follows:

(a) The tax rate for goods sold or imported by taxpayers other than the goods set forth in items (b) and (c) below shall be 17.0%.

(b) The tax rate for sales or imports of the following goods by taxpayers shall be 13.0% on:

(i) grain, edible vegetable oil;

(ii) tap water, central heating, air-conditioning, hot water, coal gas, liquid petroleum gas, natural gas methane and coal products for use by residents;

(iii) books, newspapers, magazines;

(iv) forage, chemical fertiliser, agrochemical, agricultural machinery, agricultures film; and

(v) other goods specified by the State Council.

(c) The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the State Council.

(d) The tax rate for processing and repair and replacement services provided by taxpayers shall be 17.0%.

(iii) Business Tax

With effect from 1 January 1994 and as amended on 5 November 2008, businesses that provide services (including entertainment businesses), assign intangible assets or sell immovable property are liable to business tax at the rate ranging from 3.0% to 20.0% (three to twenty per cent), of the charges for the services provided, the intangible assets assigned or the immovable property sold, as the case maybe. The formula for the calculation of the amount of tax payable is set forth below:

Amount of tax payable = amount of business x tax rate

The amount of tax payable shall be calculated in RMB. Taxpayers who settle their business income in foreign exchange shall convert their business income into RMB at the foreign exchange market rate.

(iv) PRC Custom Duties

According to the Customs Law of the PRC, the consignee of the imports, the consignor of exports and the owners of the imports and exports are the persons obligated to pay custom duties. The Custom is the authority in charge of the collection of custom duties.

Custom duties in the PRC mainly fall under ad valorem duties, i.e. the price of import/export commodities is the basis for the calculation of the duties. When calculating the custom duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the Custom Import and Export Tariff and shall be subject to tax levies pursuant to relevant tax rated.

Under the laws of the PRC, upon the approval of the PRC customs, raw materials, supplementary materials, parts, components, accessories and packing materials imported for processing and assembling finished products for foreign parties or for manufacturing products for export shall be exempted from import duties pursuant to the actual amount of goods processed for export; or import duties may be levied upfront on import materials and parts and subsequently refunded pursuant to the actual amount of goods processed for export.

To encourage foreign investment, the PRC started providing certain exemptions and reductions of custom duties on the import of machinery, equipment, parts and other materials within the total investment of foreign investment companies from 1992. However, subsequent to the adjustment of policies as of April 1996, such exemptions and reductions has been terminated. Foreign investment companies incorporated before the effective date can still continue to enjoy such preferential treatment within the grace period.

As of January 1998, according to the Notice of the State Council regarding the Adjustment of Taxation Policy of Import Equipment, in respect of foreign investment projects that fall under the Encouraging Category and the Restricted B Category of the Industrial Guidance Catalogue of Foreign Investment, and which also involve the transfer of technology, equipment imported for its own use within the total investment can be exempted from custom duties, except for the commodities listed in the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects.

As of 20 July 2007, according to the Several Problems on Customs Implementing the Preferential Policy of Import Tax (《關於針對海關在執行相關進口稅收優惠政策適用問題》), in respect of foreign investment projects that fall under the Encouraging Category of the Industrial Guidance Catalogue of Foreign Investment or industrial entries of the Predominant Industrial Catalogue of Foreign Investment in Midwest Area, the equipment imported for its own use within the total investment as well as the accessory technology and components (the "Self-used Equipment") can be exempted from custom duties, except for the commodities listed in the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects. For foreign investment projects approved before 1 April 1996 and foreign investment projects under the Restricted B Category approved before 1 April 2002 may continue to enjoy the aforesaid preferential policy on import tax. However, to apply for tax exemption on Self-used Equipment, such foreign investment projects (including those under the Encouraging Category) shall go through the filing formalities before 31 December 2007 and the approval formalities before 31 December 2010.

(v) Tax on dividends from PRC enterprise with foreign investment

According to the Applicable Foreign Investment Enterprises Tax Law, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Applicable Foreign Investment Enterprises Tax Law.

Pursuant to the Foreign Investment Enterprise and Foreign Enterprise Income Tax Law of the PRC (《中華人民共和國外商投資企業和外國企業所得稅稅法》) and Rules for the Implementation of the Income Tax Law of PRC (《中華人民共和國外商投資企業和外國企業所得稅實施條例》) promulgated by the National People's Congress on 9 April 1991, which came into effect on 1 July 1991 and become invalid from 1 January 2008 (the "Old Tax Law"), the profit derived by a foreign investor from an enterprise with foreign investment shall be exempted from income tax.

According to the New Tax Law and the Implementation Regulations of the PRC corporate Income Tax Law (《中華人民共和國企業所得稅法實施條例》) which came into effect on 1 January 2008, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 10% corporate income tax (also known as "withholding tax"), subject to reduction as provided by any applicable double taxation treaty.

According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect To Taxes On Income ("**Tax Arrangement Between the PRC and HK**"), which took effect on 8 December 2006; a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC Subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of distribution, or 10% if it holds less than a 25% interest in that subsidiary. Therefore, the profit derived by a foreign investor residing in Hong Kong from its wholly owned PRC enterprise is subject to the tax rate of 5%.

According to the Notice of Financial Ministry and State Administration of Taxation on the Several Preferential Policies on Corporate Income Tax (《財務部、國家稅務總局關於企業所得稅若干優惠政策的通知》) announced on 22 February 2008, the un-allocated profit generated from a foreign investment enterprise before 1 January 2008 shall be exempted from corporate income tax when such profit is allocated to its foreign investor(s) whilst the profits generated in the year of 2008 and thereafter shall be subject to the corporate income tax.

According to the PRC Legal Advisers, the Company's PRC subsidiary has been duly registered with the relevant taxation authorities and obtained all requisite taxation registration certificates necessary under PRC laws and regulations.

Environmental Protection Regulations

In accordance with the Environmental Protection Law of the PRC adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The people's governments of provinces, autonomous regions and municipalities directly under the central government may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection, adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their production and operations ceased. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as compensate for any losses or damages suffered as a result of such environmental pollution.

The PRC Legal Advisers are of the opinion that the Company PRC subsidiary has obtained all the necessary approvals in respect of the PRC environmental protection which are required for its business operation.

Social Security and Housing Provident Fund Contribution

According to 《企業職工生育保險試行辦法》 (Interim Measures concerning the Maternity Insurance) effective as of 1 January 1995, the employers in the PRC shall pay the maternity insurance fees for their employees.

According to《社會保險費徵繳暫行條例》(Interim Regulations concerning the Levy of Social Insurance) effective as of 22 January 1999 and《社會保險登記管理暫行辦法》(Interim Measures concerning the Management of the Registration of Social Insurance) effective as of 19 March 1999, employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance and unemployment insurance for their employees.

According to 《工傷保險條例》 (Work-related Injury Insurance Regulations*) promulgated by the State Council on 27 April 2003 and effective as of 1 January 2004, employers in PRC make contributions to work-related injury insurance for their employees.

According to《住房公積金管理條例》(the Regulations on Management of Housing Provident Funds*) (the "Regulations") promulgated on 3 April 1999 and further revised on 24 March 2002, the employer shall register with Administrative Centre of Housing Funds within 30 days after its establishment and open relevant Housing Funds account for itself and its employees after the registration and make contribution to housing provident fund for its employees.

Mergers and Acquisitions

On 8 August 2006, Ministry of Commerce (中華人民共和國商務部) ("**MOC**"), China Securities Regulatory Commission (中國證券監督管理委員會) ("**CSRC**"), SAFE and three other PRC authorities promulgated Rules on the Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which came into effect on 8 September 2006 and revised on 22 June 2009. Foreign investors should comply with the M&A Rules when they purchase shareholding equities of a domestic non-foreign-funded enterprise or subscribe to the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign investment enterprise; or when the foreign investors establish a foreign investment enterprise ("**FIE**") in PRC and obtain the asset of a domestic company through purchase agreement and operate the asset, or purchase the asset of a domestic company and establish a FIE by use of the asset and operate the asset. The M&A Rules stipulate, *inter alia*, (i) that the acquisition of the PRC enterprise by affiliated foreign enterprises established or controlled by PRC entities or individuals must be approved by MOC (the "**MOC Approval**"); (ii) that the incorporation of a special purpose vehicles (the "**SPV**"), which are directly or indirectly controlled by PRC entities or individuals for the purpose of overseas listing, must be subject to the MOC Approval; (iii) that the acquisition of PRC non-foreign-funded enterprise by SPV shall be subject to the MOC Approval; and (iv) the offshore listing of SPV shall be subject to the prior approval from CSRC (the "**CSRC Approval**").

The PRC Legal Advisers are of the opinion that as each of the individual shareholders of the Company's PRC subsidiary is an overseas permanent resident and the Company does not fall within the scope of being classified as a SPV directly or indirectly established or controlled by PRC entities or individuals, the M&A Rules do not apply to the restructuring exercise or [●], and the Group is not required to obtain the MOC Approval and/or the CSRC Approval as stipulated by the M&A Rules.

Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies

On 21 October 2005, SAFE promulgated the 《關於境內居民通過境外特殊目的公司融資及返程投資外滙管理有關問題的通知》(Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies*) (the "**No.75 Rules**"). According to the No. 75 Rules, if a domestic resident wants to use an overseas special purpose vehicle (the "SPV") (i.e. the overseas enterprise directly established or indirectly controlled by the domestic resident for the purpose of overseas stock financing for the assets or interests held by him in the domestic enterprise) to conduct return investment in the PRC, i.e. direct investment in the PRC, the domestic resident shall, before establishing or controlling an overseas company, bring the prescriptive materials to the local branch of SAFE to apply for going through the procedures for foreign exchange registration of overseas investments.

As each of the ultimate individual shareholders of the Company's PRC subsidiary is a overseas permanent resident with overseas passport, which does not fall within the scope of investment in PRC by SPV stipulated in the No. 75 Rules, the PRC Legal Advisers are of the view that the No.75 Rules do not apply to the ultimate individual shareholders of the Group.

HISTORY AND DEVELOPMENT

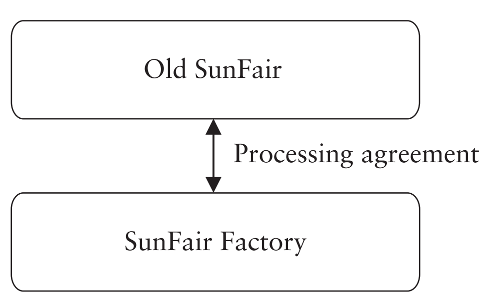
Old SunFair and SunFair Factory

The history of the Group can be traced back to the incorporation of Old SunFair, the predecessor of the Group, on 2 March 1990 in Hong Kong. Old SunFair had an initial authorized share capital of HK$600,000 divided into 600,000 shares of HK$1.00 each, among which 100,000 shares were issued to Mr. Yeung, 200,000 shares were issued to Mr. Yau and 300,000 shares were issued to Ms. Kao Hsu-Kuei, respectively. During its early stage, Old SunFair cooperated with processing factories in different counties in Guangdong province and was principally engaged in the manufacture and trading of power cord. In view of the management roles in Old SunFair, Mr. Yeung was responsible for production management and product engineering and development while Mr. Yau was responsible for the finance and accounting functions. Ms. Kao Hsu-Kuei was a passive investor without any management role and participation in Old SunFair. The 300,000 shares of Old SunFair held by Ms. Kao Hsu-Kuei were subsequently transferred to two Independent Third Parties on 30 May 1990 and 1 October 1991, respectively.

On 1 December 1993, Mr. Yeung and Mr. Yau acquired 100,000 shares and 200,000 shares of Old SunFair respectively from the other shareholders of Old SunFair on a pro-rata basis. Upon the completion of the above share transfers, Mr. Yeung and Mr. Yau held 200,000 shares and 400,000 shares of Old SunFair respectively. The shareholding structure of Old SunFair since then had remained unchanged until the passing of a special resolution by the shareholders of Old SunFair in relation to the voluntary winding-up of Old SunFair on 12 February 2009.

On 2 March 1995, to better facilitate the increase of production orders, Old SunFair entered into a cooperation agreement (the "**Cooperation Agreement**") with 深圳市寶安外經發展有限公司 (Shenzhen City Baoan District Foreign Economics Development Limited) and SunFair Factory was established in Baoan (寶安). SunFair Factory was principally engaged in the processing of power cords, small transformers, non-ferrous metal and plastic products.

Set out below is the Group structure from the date of the Cooperation Agreement to 18 December 2005, the date immediately prior to the incorporation of SunFair SZ:



Since SunFair Factory was a processing factory, it did not conduct any sales since its establishment. In order to (i) exercise better control of the operation of the Group in the PRC; and (ii) explore domestic sales in the PRC, the Group established SunFair SZ, which is a wholly foreign owned enterprise in the PRC to conduct sales and to own the Group's operating machinery and equipments in the PRC. Old SunFair made an application on 15 December 2006 to 深圳市寶安區貿易工業局 (Trade and Industrial Bureau of Shenzhen Baoan District) for a cessation of the business of SunFair Factory. On 16 May 2007, Old SunFair entered into an agreement with SunFair Factory, Shenzhen City Baoan District Foreign Economics Development Limited and Shenzhen City Songlian Joint Stock Cooperation Company (深圳市松聯股份合作公司), pursuant to which the Cooperation Agreement was terminated. The approval for the termination of the Cooperation Agreement was obtained from Trade and Industrial Bureau of Shenzhen Baoan District and Nantou Customs (南頭海關) on 21 May 2007 and 27 September 2007 respectively. Shenzhen Administration for Industry and Commerce (深圳工商行政管理局) issued the Notice of Approval for Registration Cancellation on 27 June 2008. The PRC Legal Advisers have confirmed that the business and operation of Sunfair Factory legally and officially ceased on 27 June 2008, upon the cancellation of the registration of SunFair Factory as a PRC processing factory.

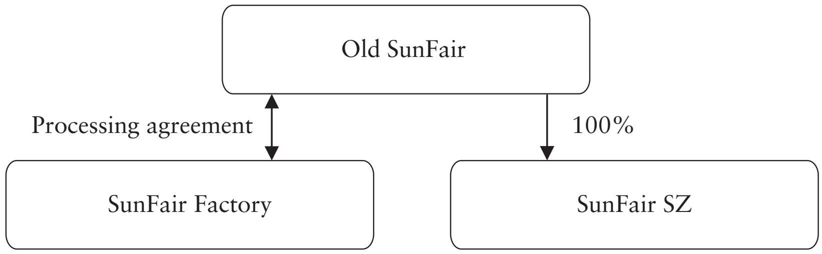
Mr. Yeung and Mr. Yau, being the then shareholders of Old SunFair, passed a special resolution on 12 February 2009 in relation to the voluntary winding-up of Old SunFair in view of the successful cessation of the business of SunFair Factory. Mr. Yau and Mr. Yeung also agreed to incorporate SunFair HK as the holding company so as to represent a new era of corporate development after SunFair SZ is established (as wholly foreign owned entity) to replace SunFair Factory (as a processing factory). A shareholders' special resolution in relation to the voluntary winding-up petition of Old SunFair was passed on 31 May 2010. Old SunFair was dissolved on 1 September 2010.

Immediately prior to the voluntary winding-up of Old SunFair, Old SunFair had a retained profit of approximately HK$5,094,000. The Directors confirmed that SunFair Factory was only a processing factory and did not own any assets and liabilities since its establishment. The machineries and other operating equipments used by SunFair Factory were owned by Old SunFair. According to the Cooperation Agreement, Old SunFair was responsible for all liabilities of SunFair Factory. All liabilities of Old SunFair had been settled before its dissolution. Old SunFair has disposed of a property and certain financial assets at consideration of HK$1,800,000 and HK$1,860,000, respectively, to SunFair HK during the Track Record Period. Moreover, certain fully depreciated machinery and operating equipments have been transferred to SunFair SZ at no consideration prior to the commencement of the Track Record Period.

SunFair HK and SunFair SZ

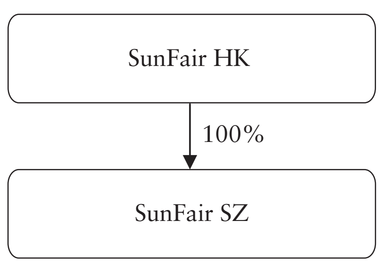
SunFair SZ was established as a wholly foreign-owned enterprise in the PRC on 19 December 2005 with both the registered capital and the total investment of HK$1 million and its entire equity interest was held by Old SunFair. Upon dissolution of Old SunFair and cessation of operation of SunFair Factory, [SunFair SZ continued to operate machineries of Old SunFair including [but not limited to wire stranding machines, injection moulding machines and insulation extrusion machines], of which they were fully depreciated and SunFair SZ did not record any cost for these assets prior to the commencement of the Track Record Period.]

Set out below is the structure of the Group from 19 December 2005 (being the date of the incorporation of SunFair SZ) to the official cessation of business of SunFair Factory on 27 June 2008:



SunFair HK was incorporated on 7 August 2007 with an authorized share capital of HK$3,000,000 divided into 3,000,000 ordinary shares of HK$1.00 each, among which 1,000,000 shares were issued to Mr. Yeung and 2,000,000 shares were issued to Mr. Yau at the time of incorporation. On 26 February 2008, Old SunFair and SunFair HK entered into an equity transfer agreement, pursuant to which SunFair HK acquired from Old SunFair the entire equity interest in SunFair SZ at a consideration of HK$1,000,000. The approval for such equity transfer was obtained on 21 March 2008. On 22 December 2009, the registered capital of SunFair SZ was increased to HK$10,000,000, which was fully contributed by SunFair HK. SunFair SZ was principally engaged in the manufacturing of power cords, wires, sockets, terminal and plastic products.

SunFair HK and SunFair SZ are the main operating subsidiaries of the Group. Set out below is the shareholding structure immediately prior to the Reorganisation:



In early 2009, Mr. Yau initiated the disposal of all his interests in SunFair HK. On 21 March 2009, Mr. Yeung entered into a share purchase agreement with Mr. Yau, pursuant to which Mr. Yeung acquired 2,000,000 shares in SunFair HK from Mr. Yau at a consideration of HK$8,000,000, which was determined with reference to the net asset value and goodwill of SunFair HK as at 30 September 2008. In addition, a sum of HK$1,851,000 was also paid by Mr. Yeung to release a mortgage given by Mr. Yau in securing a bank loan. A tax filing was therefore made to the Inland Revenue Department based on the financial performance of SunFair HK from the date of its incorporation to 30 September 2008 so as to ascertain its latest tax position. Mr. Yeung then became the sole shareholder of SunFair HK from 23 March 2009.

After completion of the share purchase agreement dated 21 March 2009, Mr. Yau ceased to have any interests in the Group and he did not have any unsettled dispute with Mr. Yeung. The consideration of the abovementioned share transfer was settled in full in May 2009. As part of the Reorganisation, Mr. Yeung transferred the entire issued shares of SunFair HK to Able One, a wholly-owned subsidiary of the Company, on 30 March 2010.

SunFair HK maintains an office in Fotan, Hong Kong for administrative and logistic purposes.

Able One

On 9 March 2010, Able One was incorporated in the BVI with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each and one share was issued to Mr. Yeung on 30 March 2010. On the same date, two shares were further issued to Mr. Yeung in consideration of the purchase of the entire issued share capital in and the shareholder's loan of SunFair HK from Mr. Yeung by Able One. The entire issued share capital of Able One was transferred to the Company pursuant to the Reorganisation, details of which are set out in the paragraph headed "Corporate Reorganisation" below.

Capital Convoy

On 10 March 2010, Capital Convoy was incorporated in the BVI with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each, and one share was issued to SunFair HK on 31 March 2010. Since 31 March 2010 and up to the Latest Practicable Date, Capital Convoy had been wholly-owned by SunFair HK. Capital Convoy had been the holding company of SunFair Industrial up to the Latest Practicable Date.

Joint Market

On 16 March 2010, Joint Market was incorporated in the BVI with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each, and one share was issued to SunFair HK on 31 March 2010. Since 31 March 2010 and up to the Latest Practicable Date, Joint Market had been wholly-owned by SunFair HK. Joint Market had been the holding company of Logic Dynamic up to the Latest Practicable Date.

SunFair Industrial

On 29 May 2009, SunFair Industrial was incorporated in Hong Kong with an issued share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each, among which 5,000 shares were issued to Mr. Yeung and 5,000 shares were issued to Mr. Li. Mr. Li had been the deputy general manager of the Group and was responsible for the Group's sale and marketing since March 2003.

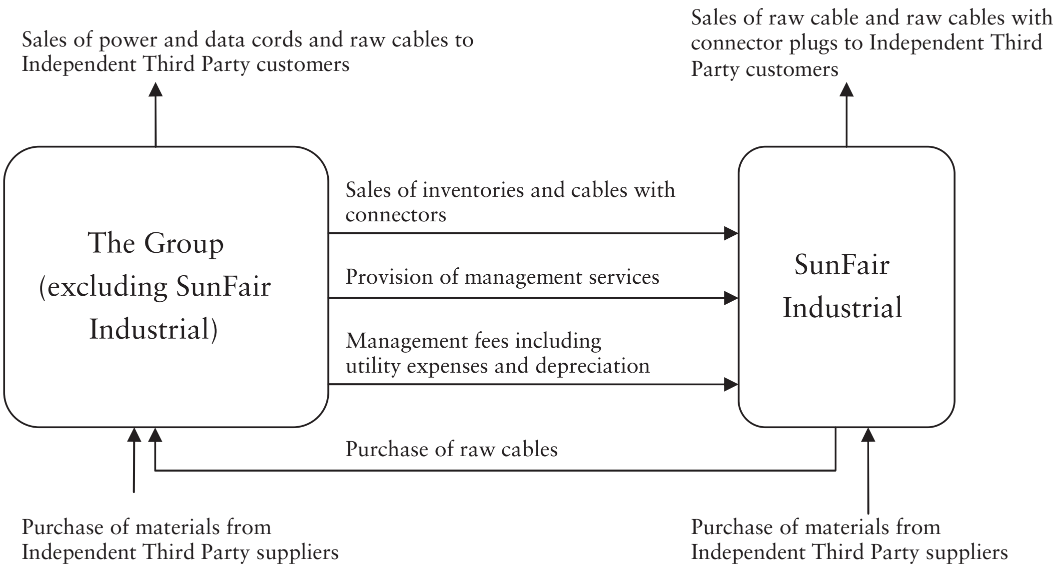
SunFair Industrial is principally engaged in the processing and distribution of raw cables (without connector plugs). The raw cables business was operated by the Group before 29 May 2009. Based on the sales and marketing experience of Mr. Li in the industry, Mr. Yeung invited Mr. Li to become a shareholder of SunFair Industrial. The Group then transferred the raw cable business to SunFair Industrial upon its incorporation. The core commercial rationale behind the incorporation of SunFair Industrial is to recognise past contributions from Mr. Li. The transfer of raw cable business to SunFair Industrial in May 2009, in which Mr. Li owned 50% equity interest, instead of paying a lump sum cash bonus to him is due to (i) Mr. Yeung aimed to establish and maintain an ongoing relationship with Mr. Li, after Mr. Yau ceased to be a shareholder of SunFair HK in March 2009; (ii) SunFair Industrial also served as a platform and an incentive to motivate Mr. Li to perform his sales and marketing function in the Group (sales orders solicited by Mr. Li were recorded by SunFair Industrial). On the other hand, a lump sum cash bonus might have adversely affected the cashflow of the Group. There is no consideration received by the Group. The employee benefits of HK$13,800,000 represent the fair value of the raw cable business as at 29 May 2009, the date on which the raw cable business was transferred to SunFair Industrial.

It was the intended business strategy of the Group to co-develop SunFair Industrial with Mr. Li and develop SunFair Industrial as a corporate brand of the Group's raw cable business such that SunFair Industrial would directly sell raw cables to customers in future. Upon transfer of the raw cable business to SunFair Industrial, the Group sold inventories of raw materials including copper wires and plastic powders at an aggregate value of approximately HK$11.4 million to SunFair Industrial. The Group did not dispose of any production facilities (including plants and machineries or production staff) to SunFair Industrial. However, the Group provided management services to SunFair Industrial for management fees including utility expenses and depreciation. At an initial stage after its incorporation, SunFair Industrial was not equipped with complete production line that availed itself to manufacture raw cables without connector plugs. The production facilities of SunFair Industrial are located in one of the workshops in the Group's manufacturing plant which can be physically segregated from the other production facilities of the Group. The Directors consider that relocating such production facilities from the existing location will incur unnecessary logistic, transportation and administrative costs. After the establishment of SunFair Industrial, it commenced to equip with auxiliary production facilities. The details of the production facilities and their net book value ("NBV") as at 31 December 2010 are as follows:

Types of machine	Function	Number of machine	NBV as at 31 December 2010 *(HK$)*
Stranding machine	Stranding the bare copper wire extension lines into one single wire	9	483,226
Spectrum analyzer	Testing machines for checking the content of hazardous elements (i.e. heavy metals), in the raw cable products	2	269,872
Sizing machine	Cutting a bundle of raw cables into designated length	2	180,000
Moulding equipment		31	473,417
Others			467,752
			1,874,267

The Group sold cables with connector plug amounting to HK$1.3 million and HK$2.4 million for the year ended 31 March 2010 and the two months ended 31 May 2010 such that SunFair Industrial would be able to commence to build up its own customer network for micro-USB and mini-HDMI raw cable business. Total revenue of SunFair Industrial amounted to HK$41.0 million during the period from the date of its incorporation to 31 March 2010 and HK$[9.1] million for the two months ended 31 May 2010. Profit after taxation of SunFair Industrial amounted to HK$2.4 million from the date of its incorporation to 31 March 2010 and HK$90,000 for the two months ended 31 May 2010. Details of the above transactions between the Group and SunFair Industrial and the financial performance of SunFair Industrial from the date of incorporation to 31 May 2010 are shown in notes 30 and 31 of Section II of Appendix I to this Document.

The business relationship between the Group and SunFair Industrial during the Track Record Period is illustrated below:



It is the Group's business strategy to focus on integrated products with connectors instead of 2-pin raw cables, in order to attract those customers who prefer to source both mobile handset cables and connector plugs from a single supplier. In addition, pursuing vertically-integrated business model, i.e. upstream vertical extension to copper wiring process (from copper cube to copper wire), requires substantial capital investment. The Directors do not consider it is beneficial to the Group. Apart from selling 2-pin raw cables (without connector plugs) to the Group, SunFair Industrial also generated insignificant sales of cables with connector plugs to Independent Third Party customers who were solicited by Mr. Li (amounting to HK$1.7 million for the period from the date of its incorporation to 31 March 2010 and HK$1.5 million for the two months ended 31 May 2010).

On 31 March 2010, Mr. Yeung entered into a sale and purchase agreement with Capital Convoy, pursuant to which Mr. Yeung agreed to transfer 5,000 shares held by him in the capital of SunFair Industrial to Capital Convoy together with the shareholder's loan in the principal amount of HK$2,000,000 at an aggregate consideration of HK$3,189,273, an amount determined with reference to the unaudited net asset value of SunFair Industrial as at 31 March 2010 and the principal amount of the shareholder's loan. Such share transfer formed part of the Reorganisation. The consideration for such share transfer had been fully settled as at the Latest Practicable Date.

In order to consolidate control for future business development of raw cable business and to avoid potential connected transactions between the Group and SunFair Industrial, the Directors had negotiated with Mr. Li on the acquisition of his interest in SunFair Industrial. However, Mr. Li intended to realize his interests in SunFair Industrial. On 31 May 2010, Capital Convoy entered into a sale and purchase agreement with Mr. Li, pursuant to which Capital Convoy agreed to acquire from Mr. Li the 5,000 shares held by him in SunFair Industrial at a consideration of HK$10,000,000, HK$2,000,000 of which was settled at the time of execution of the sale and purchase agreement, and the remaining amount was to be settled in four installments of HK$2,000,000 each. Mr. Li left SunFair SZ after the disposal. The consideration for such share transfer was fully settled in December 2010.

Pursuant to above sale and purchase agreement, Mr. Li has undertaken that he will not and will procure his associates not to directly or indirectly engage or otherwise be interested in any business which is or may be in competition with the business of the Group for a period of two years from the date of the same agreement. The Group acquired 100% control of SunFair Industrial on 31 May 2010. The financial information of SunFair Industrial was consolidated with that of the Group since 31 May 2010.

Since the Group acquired 100% control of SunFair Industrial in May 2010 and in compliance with the Group's strategy to downsize the 2-pin raw cable (without connector plug) business, SunFair Industrial will focus on the raw cable business, in particular, the manufacture and sale of 19-pin mini-HDMI and 5-pin micro-USB cables for mobile handset products. SunFair Industrial will continue to procure raw materials (e.g. copper wire, teflon materials used in mini-HDMI raw cable and PVC plastic powders used in 2-pin raw cable for jacketing purpose) in pursuit of such raw cable business.

In view of the increasing market demand for mini-HDMI raw cables (without connector plugs) as a result of technological advancement, SunFair Industrial acquired two sizing machines and five wire stranding machines for mini-HDMI and micro-USB cable business in 2010. The Directors also plan to complete the acquisition of additional equipment and construction and installation of full production facilities for the manufacture of mini-HDMI and micro-USB raw cables by March 2012.

Logic Dynamic

Logic Dynamic was incorporated on 25 June 2009 with a total authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each, all of which were issued to Mr. SW Yeung. Logic Dynamic is principally engaged in the assembly of medical control device. Pursuant to a contractual arrangement among Mr. Yeung, SunFair HK and Mr. SW Yeung,

(i) Mr. Yeung, through SunFair HK, has been in control of the management of Logic Dynamic as Mr. SW Yeung has always acted in accordance with his direction in the management of Logic Dynamic;

(ii) Mr. Yeung, through SunFair HK, has been in control of the voting rights attached to the shares held by Mr. SW Yeung; and

(iii) all the economic benefits and risks from the business of Logic Dynamic have been transferred to SunFair HK,

since the date of incorporation of Logic Dynamic.

Based on the above contractual arrangement, notwithstanding the lack of equity ownership between Mr. Yeung or SunFair HK and Logic Dynamic, Mr. Yeung, through SunFair HK, has in substance been controlling the business of Logic Dynamic and making all the operation and management decisions for Logic Dynamic, since its incorporation.

On 31 March 2010, Joint Market entered into a sale and purchase agreement with Mr. SW Yeung pursuant to which Joint Market agreed to acquire from Mr. SW Yeung the entire issued share capital of Logic Dynamic at a consideration of HK$10,000, which was determined based on the nominal value of the issued share capital of Logic Dynamic. The consideration for the share transfer had been fully settled as at the Latest Practicable Date.

Upon completion of the said agreements, Logic Dynamic has become an indirect wholly-owned subsidiary of SunFair HK.

CORPORATE REORGANISATION

In preparation for [●], the Group underwent the Reorganization which consisted primarily of the following steps:

- the incorporation of the relevant companies of the Group
- allotment of additional nil paid Shares
- acquisition of SunFair HK, Logic Dynamic and SunFair Industrial by the Group
- trust settlement by Mr. Yeung
- acquisition of Able One by the Company

Incorporation of the relevant companies of the Group

(a) On 9 March 2010, Able One was incorporated in the BVI with limited liability with an authorized share capital of US$50,000 divided into 50,000 shares with the par value of US$1.00 each, and one share of US$1.00 each was issued and allotted to Mr. Yeung on 30 March 2010.

(b) On 10 March 2010, Capital Convoy was incorporated in the BVI with limited liability with an authorized share capital of US$50,000 divided into 50,000 shares with the par value of US$1.00 each, and one share of US$1.00 each was issued and allotted to SunFair HK on 31 March 2010.

(c) On 16 March 2010, Joint Market was incorporated in the BVI with limited liability with an authorized share capital of US$50,000 divided into 50,000 shares with the par value of US$1.00 each, and one share of US$1.00 each was issued and allotted to SunFair HK on 31 March 2010.

(d) On 12 April 2010, Fairson Holdings (BVI) was incorporated in the BVI with limited liability with an authorized share capital of US$50,000 divided into 50,000 shares with the par value of US$1.00 each, and one share of US$1.00 each was issued and allotted to Mr. Yeung on 8 June 2010.

(e) On 25 June 2010, the Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability with an authorized share capital of HK$380,000 divided into 380,000,000 shares with the par value of HK$0.001 each. On the same day, one subscriber share with the par value of HK$0.001 was transferred to Fairson Holdings (BVI).

(f) On 3 March 2011, Trust BVI was incorporated in the BVI with limited liability with an authorized share capital of US$50,000 divided into 50,000 shares with the par value of US$1.00 each, and one share of US$1.00 each was issued and allotted to Mr. Yeung.

Group Restructuring

(a) On 30 March 2010, Able One acquired 3,000,000 shares of HK$1.00 each in the capital of SunFair HK, representing the entire issued share capital of SunFair HK, and shareholder's loan in the principal amount of HK$537,961 from Mr. Yeung. In consideration of such acquisition, Able One issued and allotted two shares of US$1.00 each, credited as fully paid, to Mr. Yeung.

(b) On 31 March 2010, Capital Convoy executed a sale and purchase agreement, pursuant to which it agreed to acquire 5,000 shares of HK$1.00 each in the capital of SunFair Industrial, representing 50% of the entire issued share capital of SunFair Industrial, and shareholder's loan in the principal amount of HK$2,000,000 from Mr. Yeung at an aggregate consideration of HK$3,189,273.

(c) On 31 March 2010, Joint Market acquired 10,000 shares of HK$1.00 each in the capital of Logic Dynamic, representing the entire issued share capital of Logic Dynamic, from Mr. SW Yeung at a consideration of HK$10,000.

(d) On 31 May 2010, Capital Convoy entered into a sale and purchase agreement, pursuant to which it agreed to acquire 5,000 shares of HK$1.00 each in the capital of SunFair Industrial, representing 50% of the entire issued share capital of SunFair Industrial, from Mr. Li at a consideration of HK$10,000,000.

(e) On 27 April 2011, the Company acquired 3 shares of US$1.00 each in the capital of Able One, representing the entire issued share capital of Able One, from Mr. Yeung. In consideration of such acquisition, the Company issued and allotted 34,999,999 Shares of HK$0.001 each, credited as fully paid, to Fairson Holdings (BVI), as directed by Mr. Yeung.

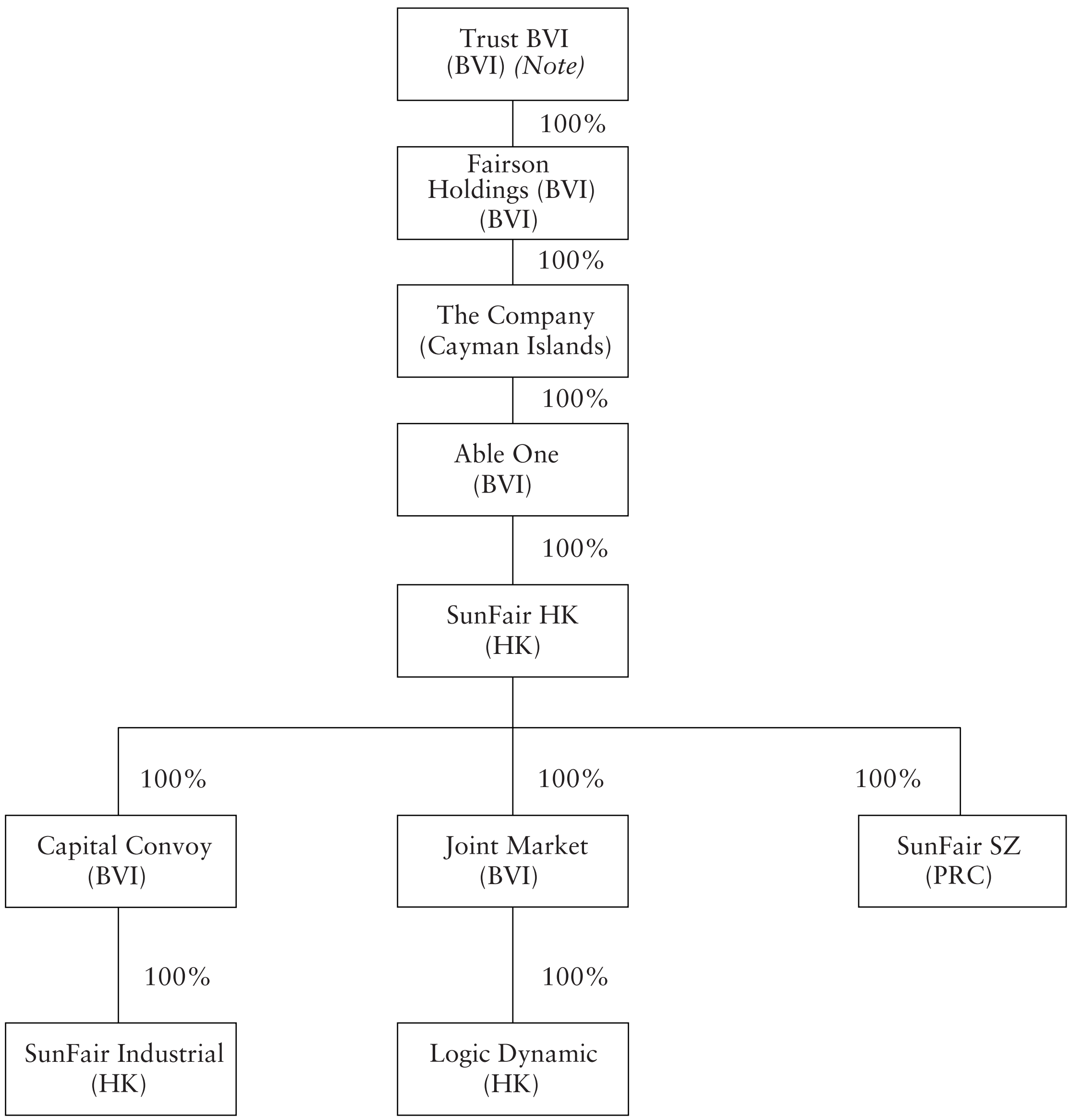
Trust Settlement by Mr. Yeung

The Race Champion Trust was established as a discretionary trust by Mr. Yeung as settlor and Equity Trust as the trustee pursuant to a deed of settlement dated 28 April 2011. Mr. SW Yeung is the beneficiary of The Race Champion Trust.

On 27 April 2011, Mr. Yeung transferred the entire issued share capital of Fairson Holdings (BVI) to Trust BVI, pursuant to which Trust BVI issued and allotted one share to Mr. Yeung as consideration of the transfer. Subsequently, Mr. Yeung transferred the entire issued share capital of Trust BVI to Equity Trust for nil consideration for the settlement of The Race Champion Trust by a deed of addition of funds dated 28 April 2011.

CORPORATE AND SHAREHOLDING STRUCTURE OF THE GROUP IMMEDIATELY AFTER THE REORGANIZATION

Set out below is the shareholding structure of the Group immediately after the Reorganization:



Note: The entire issued share capital of Trust BVI is wholly-owned by Equity Trust as the trustee of The Race Champion Trust. The Race Champion Trust is a discretionary trust set up by Mr. Yeung as settlor and Equity Trust as trustee on 28 April 2011. Mr. SW Yeung is the beneficiary of The Race Champion Trust.

OVERVIEW

The Group is principally engaged in the manufacture and sale of power and data cords. Its four key product groups are (i) power and data cords for mobile handsets; (ii) medical control devices; (iii) power cords and inlet sockets for household electric appliances; and (iv) raw cables. Each product group has its own types of products. During the Track Record Period, the Group manufactured over 40 types of power and data cords for mobile handsets, and over 450 types of power cords and inlet sockets for household electric appliances. The Group is also involved in the manufacture and sale of raw cables without connector plugs for mobile handsets and the assembly and sale of medical control devices, which are used primarily by patients in hospital wards and the related accessories.

Summarised below is the turnover of the Group by product segment during the Track Record Period:

	For the year ended 31 March				For the nine months ended 31 December			
	2009		2010		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Power and data cords for mobile handsets	53,430	29.0	63,834	39.9	46,916	38.9	68,228	54.2
Medical control devices	15,148	8.2	17,261	10.8	12,212	10.1	14,028	11.1
Power cords and inlet sockets for household electric appliances	50,116	27.2	43,934	27.5	30,472	25.2	32,822	26.1
Raw cables	57,212	31.0	29,204	18.2	25,946	21.5	9,423	7.5
Others	8,501	4.6	5,779	3.6	5,210	4.3	1,405	1.1
Total	184,407	100.0	160,012	100.0	120,756	100.0	125,906	100.0

The Group's key customers in the power and data cord segment during the Track Record Period include overseas listed companies, which manufacture on an OEM basis, mobile handset components for various internationally renowned mobile handset providers. The Group has obtained UL certification for some of its power and data cords for mobile handsets. The Group has also commenced and recorded sales of 5-pin micro-USB power and data cords for mobile handset amounting to HK$12.7 million for the nine months ended 31 December 2010.

The power cords and inlet sockets manufactured and sold by the Group are for household electric appliances including lighting appliances and television set-top boxes. The Group has obtained safety approvals and certificates issued by the testing and certification organisations in various countries including UL, CSA, VDE, KEMA, FIMKO, DEMKO, BS, SEMKO, NEMKO, OVE, SEV, CCC, PSE and SAA for the power cords and inlet sockets which it manufactures.

The medical control devices, in particular, the pillow speaker, manufactured and sold by the Group are bedside multi-function devices used to facilitate a patient's emergency communication and control of equipment such as television, lighting and temperature in a ward. They are sold and delivered in the form of dismantled parts and components to customer for further assembly and processing into the final document. Testing will also be conducted by the customer to ensure compliance of the final products with the relevant regulatory requirement of the United States.

The Group's existing products meet international safety standards and up to the Latest Practicable Date, the Group has passed all the necessary product verification testing as required by the customers.

Set out below is a summary of the key combined financial results of the Group during the Track Record Period.

	For the year ended 31 March		For the nine months ended 31 December	
	2009	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	184,407	160,012	120,756	125,906
Gross profit	26,008	35,595	26,445	26,535
Profit for the year/period	6,937	24,010	17,549	16,367

The gross profit and gross profit margin of power and data cords for the mobile handset and medical control device segments cannot be ascertained with reasonable accuracy due to absence of a fair cost allocation basis as a result of (i) unallocatable and common direct labour cost; and (ii) unallocatable and common utilities costs.

The leased production base of the Group is located in Baoan District, Shenzhen, the PRC during the Track Record Period.

In view of the development of technology, customers' demand for quality and product specifications, the Directors believe that continual advancement in production capability for different and new power and data cords is important for satisfying customers' demand and maintaining its competitiveness in the power and data cord industry. As such, the Group has established a product development team of 15 staff being led by Mr. Yeung. This product development team co-develops power and data cord products with the Group's customers by providing design and engineering support according to their and requirements.

COMPETITIVE STRENGTHS

The Directors believe that the competitive strengths of the Group set out below have driven growth in its net profit and distinguished it from its competitors in the power and data cord industry.

Ultimate supplier to some of the internationally renowned mobile handset providers

The Group's key mobile handset related power and data cord products are ultimately provided to internationally renowned mobile handset providers. Two out of the top five customers of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively are the suppliers of one of the internationally renowned mobile handset providers . The Group has established business relationships with these two customers since the time of Old SunFair. The Group has established one to 13 years of business relationship with its top five customers for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 and has been receiving relatively large orders from them. The Group has recorded provision for impairment of trade receivables of HK$221,000 for the year ended 31 March 2009. Save as the above, the Group had not recorded any provision for impairment of trade receivables during the Track Record Period. Furthermore, the Directors believe that manufacturing power and data cords for these customers keeps the Group abreast of the latest changes in the buying behaviour of end-customers which enables it to adjust its designs to cater for such changes.

Product quality recognised by customers

The Directors are of the view that the Group is well-known for its specialisation in mobile handset related power and data cords among prominent players in the mobile handset power and data cord industry, and that the Group is a recognised/ preferred vendor of power and data cords to OEM mobile handset manufacturers. The Group also keeps abreast of the latest development of mobile handsets and adjust its sales and marketing strategies, develop and improve its products from time to time. In addition, having obtained a wide range of safety approvals and certificates issued by different product testing and certification organizations, the Group is capable of fulfilling the specific requirements of and offering quality assurance to its customers in various countries including those who demand high quality standards or have stringent safety requirements.

Experience and technical expertise of senior management

The Group's management team, as a whole, has strong experience in the power and data cord manufacturing industry. It comprises members who possess experience and industry knowledge in different areas of the power and data cord industry including design, engineering and manufacturing. The Group's management team is led by Mr. Yeung, the chairman of the Company and an executive Director, who has pursued his career in the power and data cord industry since the incorporation of Old SunFair in 1990. In addition, Mr. SW Yeung, an executive Director, has six years of experience in multiple operation aspects including product development, service delivery, sales and marketing in the power and data cord industry. Mr. Chen Tian Gang has over 15 years in the power and data cords industry. Mr. Zhou Yu Hui has eight years of experience in management of inventories and procurement of raw materials. The Directors believe that in-depth knowledge of the senior management team of the Group of the power and data cord industry enable it to respond efficiently to different challenges from the changing market conditions.

Geographic proximity to key customers and suppliers

The Group's production facilities are located in Shenzhen, within the Pearl River Delta region and one of the major manufacturing centers of the PRC. Most of the Group's major customers and suppliers are located or focusing their sourcing in this region. The Directors believe that the Group's geographic proximity to its key customers and suppliers will enable it to provide a timely response and better service in terms of lower transportation costs and inventory storage, material procurement, technical support and closer collaboration. Having maintained relationships with its customers which have been established since the time of Old SunFair, the Group has established strong foothold in the lucrative market of Shenzhen.

STRATEGIES AND BUSINESS OBJECTIVES

For the Group's strategies and business objectives, please refer to the paragraph headed "Business Objectives and strategies" in the section headed "Future plans and prospects" in this document.

BUSINESS MODEL

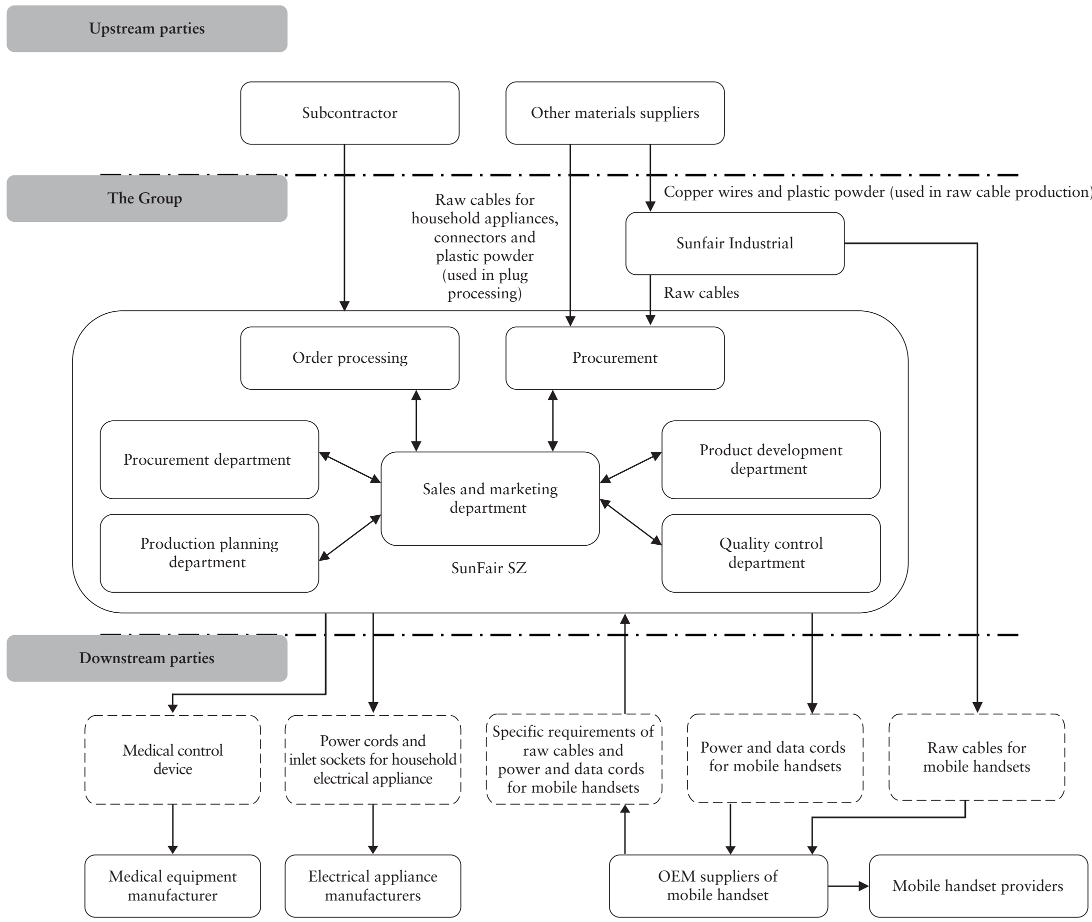
Two out of the top five customers of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively are suppliers of one of the internationally renowned mobile handset providers. They provide their specific requirements to the Group's sales and marketing department which would have specific sales teams assigned to handle requirements. These sales teams act as coordinators between the customers and different these departments of the Group; and closely monitor product development by delivering the specific requirements of the customers to the product development department for product manufacturing, product testing and quality control.

Two out of the top five customers of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively provide forecast purchase schedule on a weekly or monthly basis which normally includes the intended purchase quantity for the upcoming 12 weeks and confirmed purchase quantity for the upcoming week. When an order is confirmed, the price of products would be determined with reference to market price of principal materials, such as copper wire.

The Group prepares its production schedules with reference to the forecast purchase schedules provided by its customers and the dates of intended delivery. Its sales and marketing department, procurement department, product development department, quality control department and production planning department hold daily meetings to review and finalise the production schedules. The production schedules are circulated among different departments whilst department heads are responsible for supervising the implementation of the relevant production schedule.

It is the Group's policy to purchase major materials including copper wire, plastic powder or raw cable for manufacture based on forecast purchase schedule from customers under stable raw material price. For those customers which have not provided forecast purchase schedule, the Group will only commence production after receipt of purchase order which is legal binding in nature.

The flow of interaction with the Group's customers and among the Group's different departments upon [●] is illustrated in the chart below:



PRODUCTS

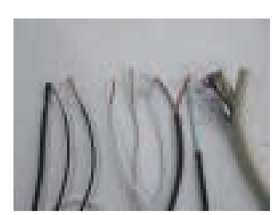
The Group's products can be broadly categorised into four product groups, namely power and data cords for mobile handsets, medical control devices, power cords and inlet sockets for household electric appliances as well as raw cables. Each product group has its own types of products.

Power and data cord for mobile handset

Medical control device

Power cord and inlet socket for household electric appliance

Raw cable



The Group has been engaged in the power and data cord industry for over 20 years since the time of Old SunFair and has acquired production techniques and experience in the manufacture of power and data cords that comply with worldwide safety regulations. As at the Latest Practicable Date, the Group has expanded into over 850 types of power and data cord products.

In light of the rising awareness in environmental protection, the Group has launched the halogen-free series of the power and data cords. Most of its mobile handset power and data cords were halogen free in nature. Besides its power and data cord products, the Group also assembled medical control devices which are bedside multi-function devices to facilitate patent's communication and control of other equipment including television, lighting and temperature.

Power and data cords for mobile handsets

Power and data cords for mobile handsets consist of 2-pin cables and connectors and are generally for power charging to mobile handset. The diameters of stranded copper wires are ranged from 0.26 to 2.4mm and carry low voltage electricity of up to three amperes. In accordance with its customers' specifications, the Group manufactures over 40 different types of power and data cord for mobile handsets. The length of the Group's power and data cord for mobile handsets generally decreased during the Track Record Period. The weighted average length of the Group's power and data cord for mobile handsets of 1.73m, 1.40m and 1.35m accounted over 90% of the volume of sales of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 respectively. The table below sets forth the product series of the Group's power and data cord products for mobile handsets manufactured by the Group:

Key products	Halogen free products	Diameters of stranded copper wire *(mm)*	Maximum Rating (Ampere)	Maximum Voltage	Number of products
Power cords.	Yes	0.26 to 2.4	3	35	17
	No	0.27	3	35	3
Data cords	Yes	0.27 to 0.6	2	20	17
	No	0.36 to 0.49	2	20	5
					42

To cope with the ever changing demands of the data transmission speed and audiovisual output quality and the proposed harmonization of chargers for data-enable mobile handsets as discussed in the paragraph headed "USB standard connectors" in the section headed "Industry Overview", the Group has commenced to develop and produce the micro-USB power and data cords as at Latest Practicable Date. In addition, the Group passed the test organised by Electronic Testing Center, a Taiwan official certification institution, and became as a qualified micro-USB manufacturer in December 2010. In August 2010, the Group had not passed the micro-USB related testing and thus manufactured, as a subcontractor authorised by a customer who has passed the micro-USB related testing, micro-USB power and data cord with purchase of bare power and data cord.

After passing the micro-USB testing in December 2010, the Group commenced to produce 11 different specifications of mobile handset power and data cords products with micro-A and micro-B USB connectors and commenced to manufacture micro-USB power and data cords officially. The Group also expects to commence manufacture of mini-HDMI power and data cord, details of which are referred to in the section headed "Future plans and prospect" in this document.

As the Group manufactures its products based on confirmed orders and the Director confirmed no inventory obsolesce resulting from the change in product mix, there will be no financial impact to the Group due to the standardization of the USB connectors for mobile.

Medical control device

Medical control device is a bedside multi-function device for patient in ward. The medical control device products of the Group consist of pillow speaker, bed control, bed cable and call cord. Pillow speaker consists of different specifications from simple version of 1-button pillow speaker capable for emergency communication and lighting control functions to advanced version of 26-button pillow speaker capable for emergency communication, television, and lighting temperature control in ward etc. The pillow speakers sold by the Group are in the form of dismantled parts including [all necessary components for a pillow speaker such as] power cable, PCB and plastic body etc for further assembly by its customer after delivery. Materials used for the medical control device are sourced by the Group based on the requirements of, and have been approved by, the customer. Although the Group will occasionally provide advice and input, the design of the medical control device originates from the customer who will closely monitor and have overall control and the ultimate decision on matters relating to the design, use of materials and ultimate assembly of medical control devices. All parts and components of the medical control devices manufactured by the Group during the Track Record Period were exported to a medical equipment manufacturer in the United States for further assembly and processing into its final products for sales to hospitals and clinics. Testing will also be conducted by the customer to ensure that the final products comply with the relevant us regulatory requirements.

Power cords and inlet sockets for household electric appliances

Power cords and inlet sockets for household electric appliances are generally non-halogen free and carry normal voltage electricity up to 250 voltage. Different countries have different safety, power voltage and environmental standards for household electric appliances and there are more than 10 sockets in widespread use around the world. Plugs with different number of prongs on power cords are used in different countries. For instance, the EU standard plugs manufactured by the Group are mainly 250 voltage plug with cylindrical prongs while the UL standard plugs manufactured by the Group are 125 voltage plugs with strip-like prongs. Some of the Group's power cords and inlet sockets for household electric appliances with safety approvals and/or certificates such as CSA, VDE, PSE, BS, CCC bear the trademark "SUN FAIR". Some of the Group's products meet eleven types of international safety standards including UL, CSA, VDE, NEMKO, SEMKO, FIMKO, SEV, DEMKO, OVE, KEMA, and CCC.

The table below sets forth the key product series of power cords and inlet sockets for household electric appliances manufactured by the Group:

Key products	Standards	Number of products
Power cords	BS	15
	BS, VDE, NEMKO, FIMKO, SEMKO, SEV, DEMKO, OVE, KEMA	13
	SAA	8
	SAA, VDE, NEMKO, FIMKO, SEMKO, SEV, DEMKO, OVE, KEMA	10
	VDE, NEMKO, SEMKO, FIMKO, SEV, DEMKO, OVE, KEMA	46
	VDE, NEMKO, SEMKO, FIMKO, DEMKO, OVE, KEMA	10
	VDE (halogen free)	5
	CCC	7
	PSE	31
	UL and CSA	159
	Others	64
Inlet sockets	VDE, NEMKO, FIMKO, SEMKO, SEV, DEMKO, OVE, KEMA, CCC, UL, CSA	85
	VDE, CCC, UL and CSA	5
		458

Raw cables

Raw cables are mainly 2-pin bare power and data cords without connectors manufactured and sold by the Group and are generally for power charging to mobile handsets. [Currently, the Group has successfully reduced the number of core copper wires per cable to 11 units. The diameters of stranded copper wires are ranged from 0.26mm to 2.4mm. The raw cable products manufactured by the Group mainly comprise (i) 14 types of PVC cables with thickness of insulation from 0.17mm to 0.65mm and (ii) 26 types of halogen-free cables with thickness of insulation from 0.15mm to 0.25mm, which are mostly used as the connections between the outer electrodes in mobile handset or electrical appliance products and the transformers or chargers.

The table below sets forth the product series of the raw cables products manufactured by the Group by different product series:

Products series	Number of core copper wires	Range of nominal thickness (mm)			Number of products
		Stranded copper wires	Insulation	Jacket	
Halogen free products:					
PVC free flame retardant insulated and jacketed cable	15 to 41	0.26 to 0.8	0.15 to 0.25	0.2 to 0.5	[25]
PVC free flame retardant insulated wire .	19	2.4	0.2	N/A	[1]
Non-halogen free products:					
PVC insulated wire	11 to 50	0.4 to 0.8	0.17 to 0.65	0.4 to 0.55	14
					40

Some of the Group's raw cables can endure at least 3,000 times of bending in bending tests. In addition, the Group is capable of adding insulation materials with fire retardants to the raw cables which are designed to resist at least 136°C continuous heating for 7 days and/or using halogen-free materials based on the needs and requirements of its customers.

PRODUCTION

Manufacturing base

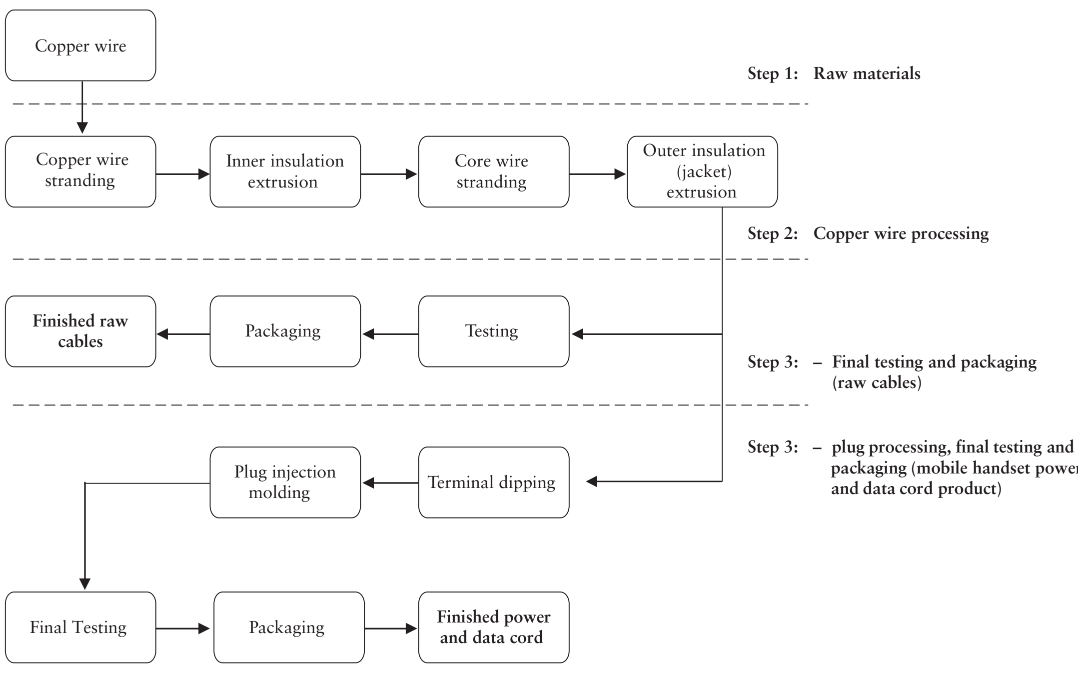
The Group currently manufactures at facility leased by SunFair SZ, a wholly foreign owned enterprise of the Group. It is located in Baoan District, Shenzhen, the PRC with a total GFA of approximately 11,875 sq.m., comprising five blocks of factory buildings. The production lines of the Group are able to easily accommodate the production of different types of mobile handset power and data cord products which enables the Group to respond and fulfill the changing needs of the customers rapidly. The Directors believe that delivery of products to the customers on time is essential for maintaining the Group's success. The Group's manufacturing base in Shenzhen provides a strategic location advantage as it enjoys easy and convenient access to its customers who are concentrated in this area. Its production planning department is responsible for the overall production and production planning process so as to ensure that its production output is able to satisfy the demands of its customers on a timely basis.

In order to maintain the production efficiency, the Group has invested in advanced production machineries and equipment. Key machineries and equipment of the Group include, among others, copper wire stranding machines, insulation and extrusion machines and injection molding machines. As at Latest Practicable Date, the Group has acquired five wire stranding machines and two sizing machines in view of the future development of 19-pin mini-HDMI and 5-pin micro-USB power and data cord businesses.

Production process

Mobile handset power and data cords and raw cables

The diagram below illustrates the major manufacturing steps of mobile handset power and data cords and raw cables:



Step 1 – Raw materials:

At the start of the production process, inspection of raw materials based on appearance, structure and function is carried out. Different plastic powders form the insulation layer and jacket of raw cables according to the product specifications required by customers. Halogen free plastic powders form halogen free data cord.

Step 2 – Copper wire processing:

Copper wire stranding

Several bare copper wire extension lines with diameters from 0.05mm to 0.16mm are stranded into one single wire.

Inner insulation extrusion

The stranded wires are extruded by a layer of plastic insulation and become core wires.

Core wire stranding

Two or more core wires (depending on the requirements of the products) are stranded into a bundle of wire.

Outer insulation (jacket) extrusion

Bundles of wires are further extruded by another layer of plastic insulation, the process of which is similar to that of inner insulation extrusion, to form a protective coat of insulation (jacket) over the wires against environmental attack. The finished products are raw cables.

Step 3
– Final testing and packaging (for raw cables):

Final testing

Various random functional tests such as thermo test, physical test and in-circuit test are conducted to the raw cables before delivery of the finished goods to the customers.

Packaging

Finished raw cables are packaged for delivery.

– Plug processing, final testing and packaging (for power and data cords)

Terminal dipping

Dip the two ends of the raw cable to connect the inner electrode to form an outer electrode.

Plug injection molding

Terminal dipped cables are placed on a mold of the injection machine in series. Thermoplastic resins in the injection machine are melted and the melt is injected into the mold. After the melt cools and until polymer solidifies, the finished plugs which are sealed with the cables are removed from the mold.

Final testing

Various random functional tests such as thermo test, physical test and in-circuit test are conducted to the power and data cords before delivery of the finished products to the customers.

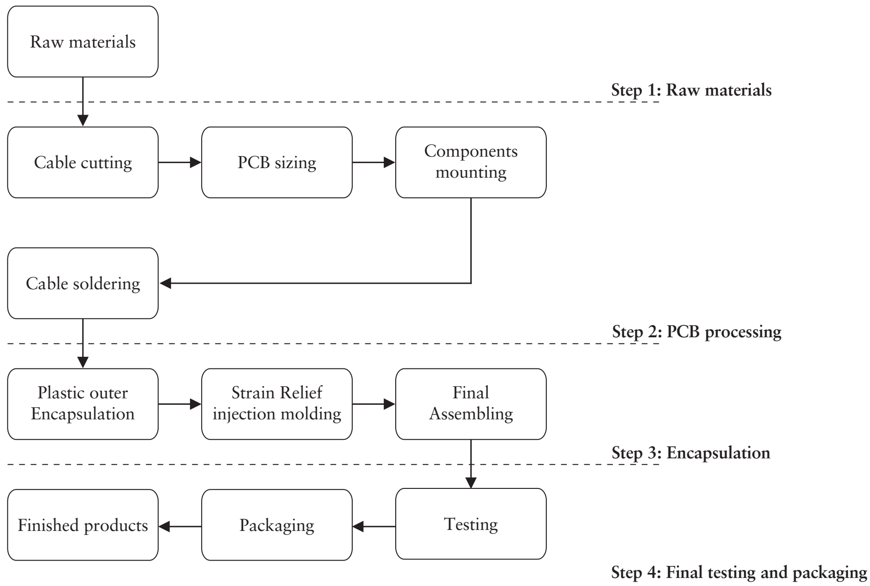
Packaging

Finished power and date cords are packaged for delivery.

Medical control devices

The Group also assembles medical control devices.

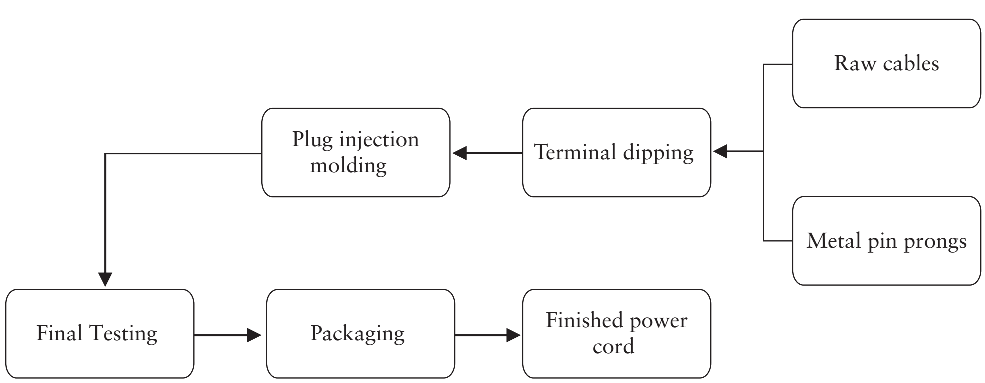
The diagram below illustrates the major steps in the assembly process of the Group's medical control devices:



The Group procures and solders chips, ICs, capacitors on PCB panel and connects to raw cables manufactured by the Group according to product specification from customers. The cable-connected PCB panel will then be inserted into plastic control device which is manufactured by the Group. Various functional tests such as physical test and in-circuit test and packaging are conducted before delivery to customers. Different specifications of medical control devices vary from functions including pillow speaker, bed controls and call cords.

Power cord and inlet socket for household electric appliance

The Group procures metal pin prongs and bare power cords for household electric appliance without connector plug. Metal pin prongs are connected to bare power cords and then placed on a mold of injection machine in series. Thermoplastic resins in the injection machine are melted and the melt is injected into the mold. After the melt cools and until polymer solidified, the power cord sealed with plug is removed from the mold. The diagram below illustrates the major steps in the production process of the household electric appliance power cords:



The following table sets out the average annual designed production capacities and utilisation rates of the Group's production plant during the Track Record Period:

	For the year ended 31 March		For the nine months ended 31 December
	2009	2010	2010
Power and data cords for mobile handset			
Number of injection molding machines	33	33	33
Actual output *(in million units)*	36.5	25.4	14.4
Estimated maximum output *(in million units)*(1)(2)	45.4	45.4	34.1
Utilization rate *(approximate %)*(3)	63.0	55.9	42.2
Raw cables			
Number of wire stranding machines	7	7	7
Actual output *(in thousand km)*			
– For downstream production of power and data cords by the Group	151.5	67.4	49.6
– Sold by the Group to independent third parties	68.1	41.8	23.0
– Sold by SunFair Industrial to independent third parties	–	11.4	6.0
Estimated maximum output *(in thousand km)*(1)(2)	253.0	221.8	166.4
Utilization rate *(approximate %)*(3)	85.6	54.4	47.2
Power cords and inlet sockets for household electric appliances			
Number of injection molding machines	36	36	36
Actual output *(in million units)*	14.9	19.2	12.7
Estimated maximum output *(in million units)*(1)(2)	36.6	36.7	27.5
Utilization rate *(approximate %)*(3)	40.7	52.3	46.2
Medical control devices			
Number of injection molding machines in use	11	11	11
Actual output *(in million units)*	0.6	0.7	0.4
Estimated maximum output *(in million units)*(1)(2)	1.2	1.2	0.9
Utilization rate *(approximate %)*(3)	50.0	58.3	44.4

Notes

1. The estimated production capacity is calculated as the sum of the production capacity of the machineries currently operated by the Group and SunFair Industrial for each of the key products in each of the product segments.

2. The estimated production capacity is calculated on the basis of the daily capacity of the relevant number of machines assuming such machine is operated 10 hours per day and 264 days per annum and 198 days for nine months.

3. The utilization rates of the production facilities of the Group fluctuated during the Track Record Period. The utilization rates for the power and data cords for mobile handset and raw cable were lower for the year ended 31 March 2010 as compared to the year ended 31 March 2009 as the Group's strategy is to focus on integrated products with connectors rather than selling raw cables. The utilization rates of the power and data cords for mobile handset for the nine months ended 31 December 2010 were lower since the Group [increased its subcontracting volume for the power and data cords for mobile handset]. For the power cords and inlet socket for household electric appliance and medical control devices, the utilization rates increased for the year ended 31 March 2010 as compared to the year ended 31 March 2009 as a result of the recovery of the global economy.

Production Planning

The production planning department of the Group devises production plan on a weekly basis by taking into account the following information:

1. the confirmed purchase order from customers;

2. the outstanding sale orders and breakdown of inventory, including lists of raw materials, semi-finished products and the finished products; and

3. the intended purchase quantity as shown in the forecast purchase quantity schedule for the upcoming 12 weeks provided by the customers.

PRODUCT DEVELOPMENT

The Group's product development department focuses on production technique engineering and crafting to meet the changing needs and requirements of the market, in particular, environmental protection requirements in relation to the use of halogen-free products. The product development activities of the Group do not require any substantial capital investment since its current production processes are basically labour intensive and cost of labour is relatively low. As a result, the costs incurred in the development activities of the Group have been relatively low as compared to its turnover during the Track Record Period. However, the Directors may decide to allocate further resources on specific development projects in future, where the Directors find necessary and appropriate in order to cope with the changing outsourcing market environment in the PRC.

As at the Latest Practicable Date, the product development department was led by Mr. Yeung and had 15 staff. Five of these staff are senior engineers with at least six years of experiences in power and data cords industry and some of these staff were graduates from universities or technical institutes specializing in electronic engineering or moulding design and manufacturing. The product development department co-develops mainly the power and data cord products with customers by regularly meeting with them and providing design and engineering support based on their needs and requirements. In addition to the Group's in-house strengths in product development, it also utilizes external product development resources by visiting industrial exhibitions so that the Group's engineers are able to gain insights into industry developments and future directions for the Group's products.

The Directors believe that its future success depends in part on its ability to deliver high-quality and tailor-made products to the target customers. The Group will also continuously seek opportunities to provide products by studying and testing new and useful technology developed by other parties for the benefit of the customers and to meet their needs and expectations.

CUSTOMERS, SALES AND MARKETING

Customers

The Group's customers for its mobile handset power and data cord products include OEM manufacturers of mobile handset who are listed companies primarily in the consumer electronics industry. They incorporate the Group's power and data cords into the mobile handset products of its customers. Two out of the top five customers of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively are the suppliers of one of the internationally renowned mobile handset providers. During the same periods, total sales to these two customers of the Group amounted to approximately HK$81.7 million, HK$60.9 million and HK$55.4 million, accounting for 44.3%, 38.1% and 44.0% of the total revenue, respectively.

During the Track Record Period, two out of the top five customers of the Company are suppliers of one of the internationally renowned mobile providers as illustrated in the section headed "Industry Overview" in this document. The Group has established one to 13 years of business relationships with its top five customers for the two years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010. Hence, the Group will continue to leverage on the established business relationships with OEM mobile handset manufacturers who place large orders and have sound credit record.

The following table illustrates the breakdown of the Group's total revenue by the type of its customers during the Track Record Period:

Customer	Principal business of the customer	For the year ended 31 March				For the nine months ended 31 December			
		2009		2010		2009		2010	
		HK$ ('000)	*% to total*	*HK$ ('000)*	*% to total*	*HK$ ('000)*	*% to total*	*HK$ ('000)*	*% to total*
Customer A	Research, manufacture and sale of mobile handset	66,218	35.9	38,266	23.9	[28,828]	[23.9]	[19,303]	15.3
Customer B	Research, manufacture and sale of mobile handset	15,470	8.4	22,679	14.2	[14,962]	[12.4]	[36,072]	28.6
Customer C	Research, manufacture and sale of power cords for household appliances	26,324	14.3	21,034	13.1	[16,485]	[13.7]	[14,156]	11.2
Customer D	Sale of medical equipment	15,529	8.4	17,525	11.0	[12,238]	[10.1]	[14,028]	11.2
Customer E	Research, manufacture and sale of mobile handset	14,931	8.1	1,509	0.9	[1,509]	[1.2]	[–]	[–]
Customer F	Research, manufacture and sale of mobile handset	1,071	0.6	12,545	7.9	10,757	8.9	2,167	1.7

Customer	Principal business of the customer	For the year ended 31 March				For the nine months ended 31 December			
		2009		2010		2009		2010	
		HK$ ('000)	*% to total*	*HK$ ('000)*	*% to total*	*HK$ ('000)*	*% to total*	*HK$ ('000)*	*% to total*
Customer G . . .	[Research, manufacture and sale of mobile handset]	–	–	12,676	7.9	[11,106]	9.2	[2,364]	1.9
Customer H . . .	[Trading and manufacture of transformer]	–	–	–	–	–	–	13,595	10.8
Others.		44,864	24.3	33,778	21.1	[24,871]	20.6	[37,816]	30.1
Total		184,407	100.0	160,012	100.0	120,756	100.0	[125,906]	100.0

The Group's sales to its top five customers for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 accounted for approximately 75.1%, 70.0% and 77.2%, respectively, of its total revenue. Sales to the largest customer totaled HK$66.2 million, HK$38.3 million and HK$36.1 million in the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, and accounted for 35.9%, 23.9% and 28.6% of the total revenue in the respective years or periods. The Directors believe that the Group's results of operations and financial condition will continue to depend on (i) the ability to continue to obtain orders from these customers; (ii) the financial condition and commercial success of these customers; and (iii) factors that affect the development of the mobile handsets related power and data cords industry.

During the Track Record Period, the Group had over 126 different customers, nearly 75% of which were located in the PRC. The Directors consider that the Group has established good relationships with its customers as no major complaint has been received from the customers and believe that such relationships will continue in future. None of the Directors, or any of their respective associates or any Shareholders which, to the knowledge of the Directors, own more than 5% of the issued share capital of the Company immediately following the completion of [●] has any interest in any of the top five customers of the Group during the Track Record Period.

Sales and marketing

The Group's sales team comprises sales and marketing professionals experienced in the power and data cord industry. The sales teams are assigned in different segments according to the relevant products. The sales and marketing teams act as coordinators between the customers and different departments of the Group and closely monitor product development by delivering the specific requirements of the customers to the product development department for production and quality control.

The sales and marketing team is led by Mr. SW Yeung and comprises [9] sales staff members as at the Latest Practicable Date. The Group has adopted a strategic sales and marketing policy by targeting and focusing on a group of selected customers in the PRC, in particular the OEM manufacturers to international mobile handset providers. Based on such customer positioning strategy, the Group is able to allocate more resources to serve this selected group of valuable customers with the aim to establish and strengthen business relationships with them. In identifying and assessing the selected customer portfolio, and to ensure the development of sustainable business relationships, the Group has devised a set of evaluation criteria, which includes a high degree of management integrity, relevant and sufficient handset development and sales experience, good development prospects, sound financial position, production support backup and extensive sales network. As the group of valuable customers are carefully selected based on the same set of criteria, the Group is able to have better allocation of the its capabilities to these customers with corresponding requirements and efficient management of the Group's production planning based on the similarities of the wants and needs of these customers. The Directors consider the above strategies appropriate and necessary for the future success of the Group.

To maintain and foster business relationships with existing customers, the Group focuses its marketing efforts on visiting them and managing their needs. Sales personnel meet with customers to promote new products, as well as to collect customers' feedback. The Group aims to adjust the product designs whenever necessary to best suit the customers' needs.

Sales Consultant

During the Track Record Period, the Group also engaged sales consultants for the introduction, referral of and liaison with customers of mobile handset power and data cord. All the sales consultants are Independent Third Parties. The sales consultants have been engaged for over three years. They have been participating in the mobile handset related industry while the two key sales consultants are business acquaintances of the Group. During the Track Record Period, the Group engaged eight, six and six sales consultants. For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, commission payable to individual sales consultants amounted to approximately HK$7.9 million, HK$3.1 million and HK$2.6 million respectively, representing 4.3%, 1.9% and 2.1% of the Group's total revenue for the respective periods. The decrease in the commission payable to sales consultants was mainly due to [the decrease in commission rates during the Track Record Period].

The Group had entered into five sales consultancy agreements with three sales consultants during the Track Record Period. Four of them expired on 31 August 2008 and one of them expired on 22 May 2009. Despite the expiry of these sales consultancy agreements, the relevant sales consultants continued to provide services to the Group and the Group continued to pay commission to them.

Pursuant to the agreements entered into with sales consultants in March 2011, the Group agreed to pay, on monthly basis, to the sales consultants a commission based on either the Group's net sales amount (after deduction of all taxes fees and expenses payable) or sales volume arising from the customers introduced by the sales consultants. Based on such commission payment basis, there is no minimum amount of sales referral by the sales consultants. The sales consultancy agreements have a term of one year. The sale consultants are restricted to provide sales consultancy services to any third parties out of the Group during the term of the sales consultancy agreements. They are also forbidden to refer the customers of the Group to third parties out of the Group during the term and within one year after termination of the sales consultancy agreements. The relationship between the sales consultants and the Group will be subject to annual renewal and no sales commission will be paid without the contractual relationship.

During the Track Record Period, the sales consultants referred two new customers [who were among the top five customers of] the Group. The percentage derived from sales to these new referred customers to the total revenue were [9.0%], [22.1%] and [[30.3]%] during the Track Record Period. In addition, the percentages of the Group's revenue which was derived from customers referred by sales consultants prior the Track Record Period were 58.6%, 48.0% and 37.7%.

Pursuant to the sales consultancy agreements entered into between the Group and the sales consultants in March 2011, the sales consultants are responsible for management of specific targeted customers located in Guangdong Province. The roles of the sales and marketing department of the Group mainly include (i) liaising with existing customers from the clientele network of which the Group has accumulated for over 20 years since the time of Old SunFair, and actively seeking new customers in relation to micro-USB and mini-HDMI; (ii) orders taking; and (iii) handling internal documentation in relation to daily sales transactions, while the role of the sales consultants is confined to customer introduction and referral. The Directors therefore expect future reliance on sales consultants for referral of new customers will be reduced having regard to (i) the expansion of the sales and marketing department as referred to in the section headed "Future plans and prospect" in this document; (ii) active participation in audiovisual and electronic products related trade fairs and exhibition to directly solicit new customers by the Group; (iii) establishment of domestic clientele network in the PRC; and (iv) making use of the existing clientele network of which have been built up for over 20 years for referral of new customers. The Group is developing its micro-USB and mini-HDMI power and data cord businesses with its own sales and marketing department without engaging the services of the sales consultants. Sales of micro-USB power and data cord amounting to approximately HK$12.7 million were generated by the Group up to 31 December 2010. No commission was payable to any sales consultant in relation to sales of micro-USB power and data cord.] The Group planned to utilize [●] to expand its internal sales and marketing department with a view to develop clientele and sales network for in particular the micro-USB and mini-HDMI power and data cord businesses by its own sales staff instead of the sales consultants. For the risks in relation to the reliance on sales consultants, please refer to paragraph headed "Reliance on sales consultants" under the section "Risk factors" in this document.

Pricing and credit policy

The Group has adopted a pricing policy largely based on production costs and the Group's expected profit margin, taking into account factors such as costs of raw materials and complexity of products. The market prices of certain raw materials, in particular copper wire, are relatively volatile and may fluctuate significantly from time to time and therefore the expected costs related to these raw materials are [partially absorbed] in the overall price quotations for the Group's products to the customers. The Group's products under the business scope of SunFair SZ are not subject to any control of government-guided price or government-set price in the PRC.

Selling prices of medical control devices and mobile handset power and data cord products to overseas customers are determined based on free-on-board with destination to Hong Kong as agreed with the customers. The shipping of such products from the Group's factory to Hong Kong is arranged by the Group while it is the Group's overseas customers to be responsible for the subsequent shipment from Hong Kong to the United States or other places it requires. The Group will have completed its obligations under the contracts with its overseas customers and risks relating to these products will have been passed to overseas customers while products are delivered to Hong Kong.

It is the Group's policy to offer open account credit with settlement terms of 30 to 60 days to customers after approved by the management. The Group's accounting department reviews the receivable aging monthly and work with the responsible sales personnel to follow up with the overdue trade receivable balances. For new customers, cash on delivery, or payment in advance are normally required. The Group has recorded provision for impairment of trade receivables of HK$221,000 for the year ended 31 March 2009. Save as the above, the Group had not recorded any provision for impairment of trade receivables during the Track Record Period. Sales were settled in HK$ or US$ primarily by bank or telegraphic transfer.

RAW MATERIALS, SUPPLIERS AND PROCUREMENT

Raw materials

The principal materials used by the Group are copper wires, plastic powder (including thermoplastic elastomer (TPE), thermoplastic polyurethane (TPU) and polyphenyleneoxide (PPO)) and non-ferrous metal connectors. Non-ferrous metal connectors are metal parts and pins installed in connector plugs. Specifications and designs of non-ferrous metal connectors vary with the Group's different products. The 5-pin micro-USB power and data cords for mobile handset requires higher precision with gold-plating on the connector plugs whilst the 2-pin power and data cords for mobile handset does not have gold-plating on the connector plugs. The average copper cost experienced a decrease from HK$68.1 per kg for the year ended 31 March 2009 to HK$41.4 per kg for the year ended 31 March 2010 and increased to HK$67.4 per kg for the nine months ended 31 December 2010. On the contrary, the average plastic powders cost of the Group fluctuated from HK$17.5 per kg to HK$19.6 per kg during Track Record Period. The Group has not entered into any long-term purchase contracts with its suppliers. The Group seeks to mitigate the market risk in relation to the commodity pricing by passing the increases in raw material costs to its customers through increasing the price of the products.

Suppliers

The Group purchases major raw materials including copper wire, plastic powders, inlet sockets and metal pins, from Independent Third Parties. Besides purchasing raw cables from Independent Third Parties for the production of power cords for household electrical appliances, the Group also purchases raw cables from SunFair Industrial for the production of the power and data cords of mobile handsets and trading of raw cables. In addition, a number of machineries and equipment in the production lines, including inductive wire preheater and 50mm extruding line, were processed and assembled in China. Most of bare power cords for household electric appliance were purchased from a third party supplier during the Track Record Period.

Copper wire materials account for a significant portion of the Group's direct material costs. For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, purchase of copper wire materials accounted for approximately 29.9%, 17.4% and [16.7]% respectively of costs of raw material and consumable used. The Group's purchase price of copper wire is normally with reference to the prices quoted by the London Metal Exchange and therefore the Group's material costs are subject to the fluctuations of prices in copper futures markets. The Group has managed such copper price fluctuation risks by determining selling price terms with reference to the purchase prices of copper materials. The Directors believe that such adjustment to selling price linked to the prices of copper is normal market practice in the industry. For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, the number of suppliers of the Group for copper wire were nine, five and eight respectively while the number of suppliers for plastic powders of the Group were 21, 22 and [24] respectively. The Group, therefore, does not consider itself to be dependent on any one supplier for any of the raw materials since most of the major raw materials used by the Group such as copper wires and plastic powders are available from a large number of suppliers in the market. Among the ten suppliers which are the top five external suppliers of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, eight of them have been supplying raw materials to the Group for more than three years and two of them have more than eighteen years' business relationship with the Group since the time of Old SunFair.

Since the incorporation of SunFair Industrial in May 2009, the Group has procured raw cables from SunFair Industrial for the production of power and data cords. SunFair Industrial was one of the top five suppliers of the Group for the year ended 31 March 2010 and for the two months ended 31 May 2010 and approximately HK$37.4 million and HK$6.5 million were paid by the Group to SunFair Industrial for such purchase transactions for the periods. Purchase price payable by the Group for the raw cables from SunFair Industrial is determined at arm's length with reference to the price charged to other customers of SunFair Industrial. SunFair Industrial in return procured required raw materials including copper wire and plastic powders from the Group and external suppliers.

The Group's procurement team purchases raw materials of the type and in the quantities in accordance with specific requirements of the customers after consulting the Group's product development department and production planning department. In addition, the Group generally purchases raw materials for its products based on confirmed purchase orders and forecast purchase quantity schedule. Most of the raw materials are sourced from two or more suppliers that are able to provide customised materials according to the Group's specifications, although the Group only depends on a limited number of suppliers for certain raw materials such as non-ferrous metal connectors. In those circumstances where there is only a limited or sole supply source available, the Group seeks to work with suppliers with a proven track record over a number of years.

The Group has implemented stringent procedures in selecting its suppliers. It has maintained a list of qualified suppliers, which is subject to review [on monthly basis] of the performance of the suppliers. The criteria for selecting the approved suppliers include pricing, the quality of the raw materials and after-sales services and the ability to deliver the raw materials on time. When selecting suppliers, the Group requires the potential suppliers to complete a questionnaire prepared by the Group in relation to [the background of the suppliers and quality and technical standard of the raw materials they supplied]. In addition, the potential suppliers are required to provide samples of raw materials for the Group to carry out inspection and testing before placing any purchase orders.

Subcontractor

During the Track Record Period, the Group had one subcontractor in Guangdong province, the PRC. Since 2008, the Group has subcontracted the manufacture of some mobile handset related power and data cords to that subcontractor due to its close proximity with a customer of the Group. The subcontractor is merely responsible for product assembly in the terminal dipping and plug injection molding processes. In January 2011, the Group entered into a subcontracting agreement with the subcontractor for a term of one year. Pursuant to the subcontracting agreement, the subcontractor shall complete assembly of the products in such amount as prescribed in the order forms placed by the Group and the products shall meet the quality standard as imposed by the Group. Required materials including copper wire and plastic powders are provided by the Group to the subcontractor and the Group may also send technical staff from time to time on site to monitor the production process to ensure that the products meet the Group's quality standards at its own cost. The quality control teams of the subcontractor have full inspection to all of their products at subcontractor's factory. In addition, the quality control staff of the Group visit the subcontractor and monitor their product quality by carrying out random inspection. As confirmed by the Directors, during the Track Record Period, there has been no material return involving the products manufactured by the subcontractor. The geographic proximity of the subcontractor to the customer lowers transportation costs and ensures timely response and delivery. The costs of production, administration and management fees of the Group can also be reduced through such subcontracting arrangement. The subcontracting fee is calculated by piece and is determined with reference to the complexity of power and data cords and the actual processes to be performed by the subcontractor. For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, approximately 13.7%, 16.5% and 29.4% respectively of the total sales of the Group required services from the subcontractor, mainly due to increase of purchase orders from the customer. The subcontracting charges payable to the subcontractor for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 amounted to approximately HK$5.9 million, HK$4.9 million and HK$6.4 million respectively.

As compared to the Group, the production technique and production facilities of the subcontractor are in relation to plug injection only but not raw cable production. The Group has been developed into an integrated model of power and data cord product (cable and connector plug) and therefore possesses production skills and facilities of the subcontractor.

According to its business licence, the subcontractor is a manufacture and processing enterprise for electronic products, including power cords. The power and data cords for mobile handsets subcontracted by the Group to it are under the approved business activities pursuant to its business licence. Also, the subcontractor is prohibited to outsource or transfer the materials or components provided by the Group to others subcontractors according to the relevant approval from the customs of the PRC obtained by the Group. During Track Record Period, the subcontractor complied with the requirement. In addition, the power and data cords for mobile handsets are not subject to the product category of compulsory certification, the subcontractor is not required to register the compulsory certification. Hence, the PRC Legal Advisers are of the opinion that the subcontractor have complied with the PRC law and regulation in relation to prossessing the power and data cords for mobile handsets for the Group. In addition, as advised by the PRC Legal Advisers, the Group is not liable to bear any legal consequences and responsibility induced by any non-compliance of the PRC rules and regulation in relation to the manufacture of power and data cords by the subcontractor.

For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, purchases from the top five suppliers of the Group amounted to approximately HK$59.7 million, HK$64.0 million and HK$32.6 million which accounted for approximately 37.7%, 51.4% and 49.3% respectively of the total cost of sales. The decrease in percentage of purchases from the Group's top five suppliers in the nine months ended 31 December 2010 was mainly due to the acquisition and consolidation of SunFair Industrial which was the largest supplier for the year ended 31 March 2010 and the nine months ended 31 December 2010. During the same periods, purchases from the largest supplier amounted to approximately HK$26.9 million, HK$37.4 million and HK$12.4 million which accounted for approximately 17.0%, 30.0% and 12.5% respectively of the total costs of sales. The suppliers and subcontractor generally grant the Group credit terms ranging from 30 to 90 days from the date of issuance of invoices. During the Track Record Period, purchases made by the Group were mainly settled in HK$ primarily by cheques and bank transfer. The Group primarily sources its raw materials from suppliers located in the PRC. The proximity of these suppliers to the production facilities of the Group is logistically convenient and it helps to reduce the transportation costs. Save and except for SunFair Industrial, the top five suppliers and the subcontractor are Independent Third Parties. None of the Directors, or any of their respective associates or, any Shareholders, who or which, to the knowledge of the Directors, own more than 5% of the issued share capital of the Company immediately following [●] has any interest in any of the top five suppliers of the Group and the subcontractor during the Track Record Period. The Group has not experienced a shortage, delay incidents or material quality issues related to raw materials or suppliers or subcontracting services nor any difficulties in sourcing raw materials during the Track Record Period.

On 1 December 2010, the Group entered into a subcontracting agreement with Ming Tak in respect of the manufacture of mobile handset power and data cords and raw cables. Please refer to the section headed "Business – Contingency arrangement with the production plant" in this document for further details.

INVENTORY CONTROL

The inventories of the Group mainly consist of raw materials, work-in-progress and finished products for temporary storage prior to delivery to the customers. The Group's policy aims to maintain sufficient inventory levels for its production, including a just-in-time policy for key materials (e.g. copper wire, plastic powder and non-ferrous metal connectors), whereby the delivery of inventories will only be made to production plant shortly before use. The procurement team plans and monitors the procurement and inventory levels according to the weekly forecasts of orders provided by the customers. The Group has installed an inventory management system to monitor and manage raw materials and finished products. Such inventory management system provides access to various records, including volume of raw materials and finished products. This allows the Group's management, production and sales and marketing departments to monitor closely the implementation of the inventory policy and to adjust the production schedules and raw materials procurement accordingly.

As at 31 March 2009 and 2010 and 31 December 2010, the gross inventory of the Group amounted to approximately HK$15.0 million, HK$14.1 million and HK$17.8 million respectively. To minimize the risk of the accumulation of aged inventories, it is the Group's policy to regularly review the obsolescence of inventories based on the age of the inventories. The Group only records a provision for obsolete inventory for certain inventories aged more than one year. The Group generally does not have much aged inventories and most of the inventories are sold within one year. The provisions made by the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 were approximately HK$190,000, HK$336,000 and HK$463,000 respectively.

QUALITY ASSURANCE

The business of the Group depends on delivering products of consistently quality. Its customers require its products to meet different industry technical standards, product safety regulations and other requirements imposed by the relevant governments in countries that its products or the end-products of its customers are sold to. Moreover, its customers generally place significant emphasis on product quality and reliability in selecting the Group as their supplier.

The Group recognises the importance of stringent quality controls in the production process and has established a quality control department responsible for implementing quality control measures and monitoring quality control procedures. The quality control department, comprising 32 staff as at the Latest Practicable Date, is responsible for implementing series of quality control procedures established by the Group throughout the entire production process. During the Track Record Period and up to the Latest Practicable Date, the Group has not encountered any significant rejection of its products by its customers due to quality issues. There was no material sales return of any of the products manufactured by the Group from its customers during the Track Record Period.

The Group's products have obtained safety approvals and certificates issued by the testing and certification organizations of various countries including UL, CSA, VDE, KEMA, FIMKO, DEMKO, BS, SEMKO, NEMKO, OVE, SEV, CCC, PSE and SAA. These recognitions confirm the quality control management systems of the Group to be consistent with national and international standards. For details of the recognitions, please refer to the paragraph headed "Safety approval and certification" of this section.

The quality control procedures carried out at various production stages from the testing of raw materials, product production to finished products inspection are described below:

Control of raw materials

The Group's quality control department carries out inspections when raw materials are delivered to the production base to ensure that the raw materials meet the required standards. The quality control examiners prepare reports based on the results of inspection which is reviewed and signed by the quality control department head. Any raw materials which are identified as defective are returned immediately to the suppliers.

Production control

Quality control measures are in place throughout the production process to ensure that the finished products will meet the quality requirements set by the customers and applicable international standards. To ensure each of the products meets the required standards, the Group's control team conducts on-site inspections during the production process. The Group adopts a cross-check quality assurance systems which includes the testing of semi-finished products at the production plant as well as by the quality control department at the testing laboratories located in the Group's production premises. If any semi-finished product is identified as defective, the production process will be suspended immediately and the production techniques will be adjusted as appropriate, in order to resolve the quality problem.

Finished products inspections

The Group's quality control team conducts random sample tests on the finished products to assess their functionality and quality. The quality control staff will inspect the physical appearance, features and packaging of the finished products and assess whether the products meet the required standards. The qualified products are delivered to the warehouse after final inspection.

COMPETITION

The power and data cord industry in the PRC is highly fragmented. Despite that there are numerous local enterprises engaging in the manufacture of different kinds of power and data cords in relation to mobile handset and power cords for household electric appliances, the majority of these enterprises are at small scale with minimal technical research and product development capability. Leveraging on over 20 years' experience and knowledge in the industry gained by the Group since the time of Old SunFair with its strong product engineering and development support as well as a broad and expanding customer base, the Directors believe that the Group is in a more advantageous position to further develop and expand its market and products than these small-scale local enterprises.

The Directors believe that new entrants in the power and data cord industry may be difficult to operate at a large scale due to different barriers or limitations such as:

- technical barrier in operating the copper wire stranding and extrusion processes without material interruption;
- the lack of reputation in the industry and reliability in meeting product assurance quality and delivery schedules;
- the lack of industry operational and management experience; and
- the lack of flexibility and timeliness in responding to design and schedule changes.

The Directors believe that the Group is primarily competing with a number of local enterprises which produce consistent quality products. Foreign enterprises may possess competitive edges over the Group including technological advancement, production efficiency and varieties and quality of products. In addition, some of these competitors may have greater financial and other resources than those of the Group.

INSURANCE

The Group leased five blocks of buildings as its production plant together with four staff quarters. According to PRC Laws, there is no compulsory requirement on a PRC enterprise to insure its real property against certain accidents on disasters. Such companies have complete discretion to insure some or all at its real property and the level of insurance to put in place. The Group has insured against damages (inclusive of fire damage) for the machinery and warehouse in its production plant. The lessor has insured against damage for part of the properties (6,700 sq.m.) leased to the Group to carry out its business and production operation.

The Group does not maintain product liability insurance in respect of its products nor does it have insurance for third party liability claims and disruptions to business operations. To mitigate the risk of product liability claims, the Group adopts stringent quality control measures throughout the various stages from product development to production in order to ensure that the finished mobile accessories comply with the relevant standards imposed by the respective governmental authorities or required to be complied with by its customers.

The Group participates in the social security system as required under the relevant PRC laws and regulations for its employees in the PRC. For the years ended 31 March 2009 and 2010 and nine months ended 31 December 2010, the insurance claims by PRC employees are HK$48,702, HK$14,077 and HK$5,019 respectively. There were no material insurance claims during the Track Record Period. For the employees in Hong Kong, the Group maintains employee compensation insurance that includes work injury under the regulatory requirements in Hong Kong and subsidises the individual medical insurance. During the Track Record Period, there has been no material insurance claim by Hong Kong employees.

After [●], the Group will maintain an insurance scheme for the Directors and officers under the corporate governance requirement. During the Track Record Period and up to the Latest Practicable Date, there has been no occurrence of product liability claims, third party liability claims or disruptions to business operations.

During the Track Record Period, the insurance coverage obtained by the Group mainly included medical and social insurance for workers, general insurance for the Group's properties an motor vehicles. The Group will continue to closely monitor its exposure to various risks and take corresponding actions to mitigate such risks, such as maintaining appropriate insurance policies.

ENVIRONMENTAL PROTECTION

The Group generates a small amount of solid waste by-products in the course of its production. The disposal of such solid waste by-products and emission of gaseous by-products will not have any material impact on the environment nor bring any material cost to the Group. The production process of the Group does not involve any effluent which requires special treatment before discharging.

The operation of the Group is subject to various national and local laws and regulations, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Administrative Regulations on Environmental Protection for Construction Project (《建設項目環境保護管理條例》) and Law of the People's Republic of China on Appraising of Environmental Impact (《中華人民共和國環境影響評價法》). The Group has conducted environmental feasibility studies before the commencement of construction of the production plants and have obtained the Examination and Approval of Environmental Impact about Construction Project from Shenzhen Baoan Environmental Protection Bureau (深圳市寶安區環境保護局建設項目環境影響審查報告). It has also ensured the compliance of national environmental requirements regarding the production processes at the Group's production facilities. The Group will conduct necessary environmental feasibility studies and submit to the relevant environmental authorities for approvals in accordance with the laws and regulations in the PRC for any future expansion or establishment of plants or equipment.

As at Latest Practicable Date, these laws and regulations have not materially affected the capital expenditures, earnings or competitive position of the Group. The Directors do not anticipate any material capital expenditures for environmental control facilities for the foreseeable future. The costs of compliance with applicable environmental rules and regulations of the Company for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, were approximately RMB12,000, RMB12,000 and RMB9,000, respectively. The expected cost of compliance for the coming two years is approximately RMB24,000.

PROPERTIES

As at the Latest Practicable Date, the Group owned two properties in Hong Kong, for use as (i) its liaison and logistic office and warehouse; and (ii) accommodation for directors of members of the Group, respectively. The Group has also leased five blocks of buildings as workshop, warehouse and office, and four quarters and various ancillary facilities as staff quarters in Baoan District, Shenzhen, the PRC. The details of the properties owned or leased by the Group are set out below:

a) Property interests owned by the Group in Hong Kong

Location	Use	Saleable Area *(sq.m.)*	Owner
Factory Units A-C, 9/F, Yue Cheung Centre, Nos. 1-3 Wang Chuk Yeung Street, Shatin, New Territories, Hong Kong	Liaison, logistic office and warehouse	243.70	Sunfair HK
Flat C, 26/F, Block 1, Castello, No. 69 Siu Lek Yuen Road, Shatin, New Territories, Hong Kong	Accommodation for directors of members of the Group	71.44	SunFair HK

b) Property interests leased by the Group in the PRC

Location	Use	GFA *(sq.m.)*	Expiry of Lease	Lessor
Block Nos. 1 and 2, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Provinces, the PRC	Workshop	4,875	31 July 2013	深圳市東風雋億股份合作公司 (Shenzhen Shi DongFeng Juan Yi Share Co-operative Company)
Block Nos. 3 and 4 and Levels 1 and 2 of Block No. 5, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Provinces, the PRC	Workshop, warehouse and office	7,000	31 May 2015	深圳市東風雋億股份合作公司 (Shenzhen Shi DongFeng Juan Yi Share Co-operative Company)

Location	Use	GFA (sq.m.)	Expiry of Lease	Lessor
Dormitory Building Nos. A and B, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Provinces, the PRC	Staff quarters	2,100	31 December 2015	深圳市東風雋億股份合作公司 (Shenzhen Shi DongFeng Juan Yi Share Co-operative Company)
Dormitory Building Nos. C and D, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Provinces, the PRC	Staff quarters	1,452	31 July 2013	深圳市東風雋億股份合作公司 (Shenzhen Shi DongFeng Juan Yi Share Co-operative Company)

All of the properties leased by the Group in the PRC (the "Leased Properties") comprising the production plant of the Group are situated on collective-owned land. According to the PRC Land Management Law (《中華人民共和國土地管理法》), such land is owned as a whole by a group of villagers collectively and managed by the villagers' committee. 深圳市東風雋億股份合作公司 (Shenzhen Shi DongFeng Juan Yi Share Co-operative Company) the lessor (the "**Lessor**") of the leases (the "**Leases**") in respect of the Leased Properties, did not have the relevant land use right certificates, building ownership certificates and construction permits for the Leased Properties. [The PRC Legal Advisers have advised that there is a potential risk that the relevant authorities in the PRC may deem the Leases invalid owing to the Lessor not having obtained the relevant property title certificates. As such, except for block No. 3 the Lessor has, in respect of the Leased Properties, made the necessary applications in accordance with the regulations under《深圳經濟特區處理歷史遺留違法私房若干規定》(Rules of Shenzhen Special Economic Zone on Dealing Historical Illegal Private Houses),《深圳經濟特區處理歷史遺留生產經營性違法建築若干規定》 (Rules of Shenzhen Special Economic Zone on Dealing Historical Illegal Buildings Used for Production and Business) and 《關於農村城市化歷史遺留違法建築的處理決定》(深圳市第四屆人大常委會公告第101號) (Decisions Relating to Urbanization of Villages on the Management of Buildings Constructed in Violation of Laws) (Announcement No.101 of the Standing Committee of the 4th Shenzhen Municipal People's Congress) with the appropriate authorities at Shenzhen Baoan District to commence the process of obtaining the outstanding property title certificates (the "**Rectification Application**").

The PRC Legal Advisers have advised as follows:

(i) the Group has used the Leased Properties in accordance with the permitted usages under the relevant Leases;

(ii) as the application for the registration of the Leases has been filed with the relevant authority in the PRC, the appropriate authorities will temporarily admit and permit the Lessor or the Group to use the property before the processing of the Rectification Application is completed, and will process the application for the registration of the Leases;

(iii) no regulation with respect to the timeframe for dealing with such historical issue and the issuance of the relevant property title certificates has been promulgated. Given that the appropriate authorities are processing the Rectification Application, the possibility of the Lease Properties being demolished or resumed by the government is not high;

(iv) there was no dispute nor challenge against SunFair SZ regarding the Leases and the use of the Leased Properties during the Track Record Period; and

(v) the Group will not be subject to any criminal, civil or administrative penalty or fine as a result of the Lessor's failure to obtain the relevant land use right certificate.

For further details of the Group's property interests please refer to the valuation report prepared by Ample Appraisal Limited, an independent property valuer, as set out in Appendix IV to this document.

Contingency arrangement with the production plant

(i) Contingency subcontracting arrangements with Ming Tak

The Group has identified several factories in Shenzhen and Dongguan to which it can potentially subcontract different stage of the production processes and which have sufficient capacity to undertake the outsourcing work. It has entered into an agreement with Ming Tak, an Independent Third Party on 1 December 2010, pursuant to which Ming Tak has agreed to reserve annual production capacity up to 50.4 million units of mobile handset power and data cords and electric appliances power cords, 240,000 km of raw cable during the contract period at a reserve fee of RMB100,000 (the "**Contingent Subcontracting Agreement**"). The volume of annual production capacities as reserved by Ming Tak pursuant to the Contingency Subcontracting Agreement is based on the actual production volume of raw cables, mobile handsets power and data cords and household electric appliances power cords of the Group during the Track Record Period plus a 5% to 10% buffer in consideration for future development in particular micro-USB power and data cords. The agreement will expire on 1 December 2011. Pursuant to the Contingent Subcontracting Agreement, the Group will provide and deliver to Ming Tak the raw and accessory materials necessary for the production. Ming Tak shall not use materials for the production other than those provided by the Group. Ming Tak shall complete the production of products within the time limit and in the quantity as prescribed in the order forms issued by the Group and the quality of its products shall be up to the standard as required by the Group. The Group will pay to Ming Tak its production fees within one month upon receipt of the products. Should there be any defaults by Ming Tak in quantity or delivery of products, Ming Tak shall pay to the Group a default payment equivalent to 10% of its entitled production fees and compensate the loss of the Group suffered as a result of its defaults. Should Ming Tak fails to produce the products in accordance with the quality standard as required, it shall bear the costs of repair and exchange of the defective products and the responsibility of the Group's failure to deliver the products to customers on time. The Group reserves the right to reject the products produced by Ming Tak if the defective products fail to fullfill the quality standard as required after its repair or exchange. The Group also has the right to terminate the Contingent Subcontracting Agreement if Ming Tak fails to deliver the products in accordance with the Contingent Subcontracting Agreement.

The Directors believe that the entering into of the Contingent Subcontracting Agreement would enable the Group to meet its production requirements. In addition, the Directors believe that the Group is able to subcontract its work within a reasonable time.

(ii) Relocation arrangements

On 5 November 2010, the Group, through SunFair SZ, entered into a pre-leasing agreement with Bao Xing in respect of a new leased production facilities in Baoan District where [equipment and machinery in relation to molding operations and the assembly operation of the medical control device] of the Group will gradually be relocated. Please refer to the section headed "Future Plans and Prospects – Business Objectives and Strategies" in this document for further details.

In the event that SunFair SZ is required to evacuate from the Leased Properties, the Group plans to relocate its entire operation to this new location. Such relocation is expected to be completed within 75 working days. The actual relocation costs would depend on labour and transportation costs and other factors involved. The Directors estimate that the costs of the potential relocation would be approximately RMB[5] million which is to be financed by internal resources of the Group. The Directors believe that most of the machineries can be relocated to the new production facilities without significant obstacle. The Directors also believe that the employees can easily be relocated to new residential premises, if required, without disruption to the Group's operations. The Directors do not expect that any loss of profit would result from the relocation since (i) the Group can adjust its production schedule to avoid any loss in sales arising from the temporarily reduced production capacity during the relocation; and (ii) the Group can subcontract its production to its existing subcontractors or Ming Tak pursuant to the contingent subcontracting agreement. As advised by the PRC Legal Advisers, the possibility of the Lease Properties being demolished or resumed by the government is not high. The Group can relocate its operations to a new location without obstacle. The Directors believe that such potential risk would not have any material financial or operational impact on its business.

Indemnity

The Lessor has agreed to indemnify the Group from any losses incurred as a result of any dispute relating to the titles of the Leased Properties.

Mr. Yeung and Fairson Holdings (BVI), being Controlling Shareholders have agreed to keep the Group indemnified for any costs of relocation and all other potential losses in the event of any relocation due to the defective titles of the Leased Properties.

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, the Group had registered (i) the trademark for the logo " " and the trademark for its English Name "SUN FAIR" in the PRC; and (ii) seven patents in the PRC. Some of the Group's power cords and inlet sockets for household electrical appliances with safety approvals and certificates such as CSA, VDE, PSE, BS and CCC bear the trademark "SUN FAIR".

As at the Latest Practicable Date, the Group had also registered the domain name: http://www.sunfairw.com.hk.

The Group has not been notified that it had infringed any patents, copyrights or other intellectual property rights owned by other parties during the Track Record Period. The Directors are not aware of any material infringement of the intellectual property rights during the Track Record Period.

Details of the Group's intellectual property rights are set out in the paragraph headed "Intellectual property rights of the Group" under the section headed "Further information" about the business of the Group in Appendix VI to this document.

SAFETY APPROVAL AND CERTIFICATION

The following table sets out the safety approvals and/or certifications the Group had obtained as at the Latest Practicable Date:

Year of first approval/ Certification	Country	Certification Mark	Abbreviation	Testing laboratories/ testing and certification organization
1994	US	UL Mark	UL	Underwriters Laboratories Inc.
1995	Canada	CSA Mark	CSA	CSA International
1996	Denmark	D Mark	DEMKO	UL International Demko A/S
1996	Germany	VDE Mark	VDE	VDE Association for Electrical, Electronic and Information Technologies
1997	Australia	SAA Mark	SAA	Department of Fair Trading, NSW Consumer Protection Agency
1998	Norway	Nemko's N Mark	NEMKO	Nemko AS
1999	Austria	OVE Mark	OVE	Austrian Electrotechnical Association

Year of first approval/ Certification	Country	Certification Mark	Abbreviation	Testing laboratories/ testing and certification organization
2001	Netherlands	KEMA-KEUR Mark	KEMA	KEMA Quality B.V.
2001	Sweden	S Mark	SEMKO	Intertek Semko AB
2002	United kingdom	Kitemark	BS	British Standards Institution
2006	Finland	FI Mark	FIMKO	SGS Fimko Ltd.
2006	Switzerland	Swiss Safety Mark	SEV	Federal Inspectorate for Heavy Current Installations
2007	Japan	PSE Mark	PSE	Japan Electrical Safety & Environment Technology Laboratories
2007	PRC	China Compulsory Certification Mark	CCC	China Quality Certification Centre

The above certificates concerning the same safety approvals and/or certifications for different above products have different expiry dates.

There are no expiry dates for KEMA, NEMKO, CSA and DEMKO. However, these safety approvals and/or certifications are subject to annual renewal. The conditions for renewal include payment of annual licence/subscription fees. The Group has not encountered difficulty in renewing the safety approvals and certifications in the past.

NON-COMPLIANCE WITH THE COMPANIES ORDINANCE

Pursuant to section 111(1) of the Companies Ordinance, a Hong Kong company shall in each year (except for the first eighteen months from the date of its incorporation) hold an annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it.

Pursuant to sections 122(1) and 122(2) of the Companies Ordinance, the directors of a Hong Kong company must cause the profit and loss account and balance sheet of the company to be made up and laid before the company at its annual general meeting.

Since incorporation on 7 August 2007, SunFair HK's accounting affairs have been handled by the Group's accounting department in Shenzhen, PRC and secretarial affairs by SunFair HK's then company secretaries. SunFair HK had not convened any annual general meeting for the years 2008 and 2009. Until recently, SunFair HK did not prepare any accounts for the period from its date of incorporation to 31 March 2008 (the "First Financial Year") and the financial year ended 31 March 2009 (the "Second Financial Year", and together with the First Financial Year, the "Two Financial Years"). The Group's accounting department in Shenzhen, PRC comprised a

PRC-qualified accountant and other PRC nationals, who had limited knowledge and understanding of the relevant rules and regulations under Hong Kong law. The then company secretaries of SunFair HK were companies holding out to be providers of corporate services. None of the Group's accounting department and the then company secretaries of SunFair HK had advised the then director of SunFair HK of the need to convene such meetings or lay such accounts. Due to the reasons above, together with unintended and inadvertent oversight, sections 111(1), 122(1) and 122(2) were not complied with.

SunFair HK had failed to convene annual general meetings for the years 2008 and 2009 and prepare accounts for the Two Financial Years, as required under the Companies Ordinance. In response to this, the then director of SunFair HK immediately took steps to arrange for SunFair HK to appoint ANDA CPA Limited and PricewaterhouseCoopers to audit SunFair HK's financial statements for the First Financial Year (the "2008 Accounts") and the Second Financial Year (the "2009 Accounts", and together with the 2008 Accounts, the "Accounts"), respectively. The 2008 Accounts and 2009 Accounts were prepared on 15 October 2010 and 20 October 2010, respectively. The Accounts were adopted by the sole registered member of the Company, Mr. Yeung, by way of written resolutions on 25 October 2010 (the "Written Resolutions").

Mr. Yeung and Able One applied to the Court of First Instance of the High Court on 6 December 2010 for: (i) directions deeming the general meeting passing the Written Resolutions to be the annual general meetings of SunFair HK which should have been held for the years of 2008 and 2009, pursuant to sections 111(2) and 111(3) of the Companies Ordinance; (ii) the Accounts be laid before SunFair HK at the general meeting passing the Written Resolutions, pursuant to section 122(1B)(a) of the Companies Ordinance and (iii) an extension of time for the laying of the Accounts before SunFair HK in general meeting, pursuant to section 122(1B)(b).

In order to avoid any further or other non-compliance, the Group takes the following steps to ensure due compliance in future:

- Ms. Kwok Tsz Ling, who is a qualified accountant in Hong Kong with over nine years of professional experience in auditing, accounting and taxation and is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountant, has been employed as the financial controller of the Group and would oversee the compliance and accounting matters of the whole Group, including the Company;

- PricewaterhouseCoopers would be retained to audit the accounts of the Group, including the Company;

- The Group and/or the Company will retain an external financial adviser and a law firm to advise the Group on, *inter alia*, compliance matters;

- Prior to [●], pursuant to the requirements under [●], at least three independent non-executive Directors will be appointed to the board of the Company and at least one of them will have appropriate professional qualifications or accounting or related financial management expertise; and

- Upon [●] of the Group, an audit committee would be established among the Directors to oversee the financial reporting and internal control procedures of the Group, including the Company, to enhance corporate governance and ensure compliance with statutory requirements.

On 22 December 2010, an order was granted by the Court of First Instance of the High Court, pursuant to which (i) the general meeting passing the Written Resolutions shall be deemed to be the annual general meetings of Sunfair HK which should have been held for the years of 2008 and 2009; (ii) the Accounts be laid before Sunfair HK at the general meeting passing the Written Resolutions; and (iii) the period for the laying of the Accounts was extended to 25 October 2010.

As a result of the grant of such court order, Sunfair HK is no longer in breach of sections 111(1), 122(1) and 122(2) of the Companies Ordinance.

DIRECTORS

The Board consists of seven Directors, including four executive Directors and three independent non-executive Directors. The Board is responsible and has general powers for the management and conduct of the business of the Group. The following table sets forth information regarding members of the Board:

Name	Age	Position
Mr. Yeung Tin Hung (楊天洪)	54	Chairman, Executive Director
Mr. Yeung Shing Wai (楊成偉)	25	Executive Director
Mr. Chen Tian Gang (陳天鋼)	37	Executive Director
Mr. Zhou Yu Hui (周煜輝)	32	Executive Director
Mr. Li Hin Lung (李顯龍)	45	independent non-executive Director
Mr. Chan Kai Wo (陳啟和)	49	independent non-executive Director
Mr. Chua Hoon Chong (蔡奮沖)	55	independent non-executive Director

Executive Directors

Mr. Yeung Tin Hung (楊天洪), aged 54, is the Chairman of the Company. He was appointed as an executive Director on 27 April 2011. Mr. Yeung has accumulated over 25 years of experience in wire and cable business. From 1982 to 1987, he worked in Ming Tak Electrical Co which was principally engaged in manufacture of power cords and was responsible for the management and production. He then set up Old SunFair in 1990 and was responsible for production management and products engineering and development. He is currently responsible for overall strategic planning and direction of the Group.

Mr. Yeung Shing Wai (楊成偉), aged 25, was appointed as an executive Director on 23 November 2010. He is also the compliance officer of the Company. He is currently the senior manager of the Group and is responsible for the management of finance and marketing of the Group since February 2009. Mr. SW Yeung has nearly six years' experience in the power and data cords industry since he joined the Group in 2004. He had served as a manager in the sales and marketing department of the Group from January 2004 to February 2009. Mr. SW Yeung is the son of Mr. Yeung.

Mr. Chen Tian Gang (陳天鋼), aged 37, was appointed as an executive Director on 23 November 2010. He has been the deputy general manager of the Group since January 2002. He is responsible for the management of production and quality assurance of the Group. He also assists the general manager in the daily operation of the Group. Mr. Chen joined the Group after graduated from 福建農林大學 (Fujian Agricultural and Forestry University) (formerly known as 福建農業大學 (Fujian Agricultural University)), majoring in tea studies in 1995. He had served as the department head of the raw materials department and the head of production unit of the Group. Mr. Chen joined SunFair Factory in 1995 and has over 15 years, of experience in the power and data cords industry. Mr. Chen is the nephew of Mr. Yeung.

Mr. Zhou Yu Hui (周煜輝), aged 32, was appointed as an executive Director on 23 November 2010. He is currently the head of the procurement department of the Group and has been responsible for the management of the inventories and procurement of raw materials of the Group since June 2002. He has served in procurement department for nearly eight years since joining the Group in 2002. Mr. Zhou is the brother-in-law of Mr. Chen Tian Gang.

Independent non-executive Directors

Mr. Li Hin Lung (李顯龍), aged 45, was appointed as an independent non-executive Director on 27 April 2011. Mr. Li has over 12 years of experience in audit, tax advisory and company secretary services. Mr. Li was employed by K.L Lee & Partners C.P.A. Limited as a senior auditor from 1997 to 2000. Since 2000, Mr. Li started up his own accounting firm and provided audit, tax advisory and company secretarial services. Mr. Li obtained a higher certificate in accountancy from the Hong Kong Polytechnic, currently known as the Hong Kong Polytechnic University, in 1991. He is an associate of the Hong Kong Institute of Certified Public Accountant, an associate of the Association of charted Certified Accountants and a Certified Tax Adviser of the Taxation Institute of Hong Kong.

Mr. Chan Kai Wo (陳啟和), aged 49, was appointed as an independent non-executive Director on 27 April 2011. He has been now the director of the Toys & Hobbies department of The Refined Industry Co. Ltd since March 2011. He obtained his higher diploma in mechanical engineering from Hong Kong Polytechnic, currently known as Hong Kong Polytechnic University, in 1983. He joined Wong's group of companies in 1983 and worked in different positions including mechanical engineer, assistant engineering manager, mechanical engineering manager and project manager from 1983 to 1993 and was responsible for products and parts mechanical designs, plastics and metal toolings fabrication, secondary process development such as electroless plating and paintings, worldwide customer communication and project co-ordinator. Wong's group of companies is listed on [●]. In 1993, he was the engineering manager of Waysun Enterprise Co., Ltd. From 1994 to 2001, he joined The Refined Industry Co., Ltd. as a project engineering manager and head of engineering department to monitor designs and engineering activities. From January 2002 to February 2011, he worked as General Manager for Ameroll Metal Products Co. Ltd and is responsible for overseeing all functional departments and coordinating the strategic planning functions of the Company.

Mr. Chua Hoon Chong (蔡奮沖), aged 55, was appointed as an independent non-executive Director on 27 April 2011. Mr. Chua has over 30 years of experience in mechanical engineering industry. Mr. Chua was a mechanical engineer under the research and development department of Thomson Consumer Electronics Asia Pte Ltd. from 1980 to 1991. In 1992, Mr. Chua joined Emerson Network Power [(a subsidiary of Emerson Electric Co which is listed on New York Stock Exchange)] as a principal mechanical engineer in high power product design team, and was an engineering manager – mechanical in the technical core engineering group when he left Emerson Network Power in January 2009. Mr. Chua is a specialist in PCB design, cabling and plastic box to cope with high power density product design requirement.

Save as disclosed above, there are no other matters concerning all the Directors' appointment that need to be brought to the attention of the Shareholders and [●] there are no other matters which shall be disclosed pursuant to [●].

SENIOR MANAGEMENT

Mr. Lin Li Bo (林立波), aged 34, is the head of the sales and marketing department, joined the Group in 1998 and was promoted as a department head of sales and marketing department in May 2003. Mr. Lin is responsible for achieving sales target of the Group and managing the customer relationships. Mr. Lin studied Computerized Accounting in and graduated from 廈門大學 (Xiamen University) in 1998.

Mr. Luo Shao Hua (羅韶華), aged 38, is the head of the production department. Mr. Luo is responsible for control and implementation of the day-to-day manufacturing activities. Mr. Luo joined the Group in 1999 and was promoted as the head of the production department in January 2005. Mr. Luo has over 10 years experience in the power and data cords industry.

Mr. Chen Yong Hui (陳永輝), aged 32, is the head of the product development department. Mr. Chen is responsible for the establishment and implementation of the product development plan according to the requirement of the customer of the Group. Mr. Chen has joined the Group in 1997 as a quality control inspector. Mr. Chen was then promoted as the head of quality assurance department and head of production unit in 1999 and 2003 respectively. In October 2008, he was appointed as the head of the product development department and responsible for the design and development of products.

Mr. Nie Zhi Jun (聶志軍), aged 35, is the head of quality assurance department since July 2005. Mr. Nie is responsible for the execution of quality assurance policy of the Group. He joined the Group in 1997 as the deputy head of quality assurance department. He obtained a qualification of "Grade four electronic apparatus technician" issued by 江西省勞動廳 (the Labour Department in Jiangxi Province) in the PRC in 1994.

Ms. Weng Xue Feng (翁雪鳳), aged 31, is the accounting manager of the Group. Ms. Weng is responsible for the overall accounting, financial management and treasury of the Group. She had served in accounting and finance department since 1998 and was promoted as accounting manager of the Group since May 2008. Ms. Weng has over 10 years of experience in accounting and financial management.

COMPANY SECRETARY

Ms. Kwok Tsz Ling (郭紫玲), aged 31, is company secretary and financial controller of the Company and is responsible for [the company secretarial function, the review and supervision of the Group's overall internal control systems and providing advice to the Board and the audit committee of the Company]. She is a professional accountant with over eight years of professional experience in auditing, accounting and taxation and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Ms. Kwok received a bachelor degree in accounting from Xiamen University in 2001. Prior to joining the Group, Ms. Kwok worked for international accounting firms and specialized in auditing and accounting. She joined the Group as the financial controller in July 2010.

REMUNERATION POLICY

The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

After [●], the Directors and senior management may also receive options to be granted under the Share Option Scheme.

COMPETING INTERESTS OF THE DIRECTORS

Pursuant to the service agreement (the "Directors' Service Agreement") entered into between the Group and each of the executive Directors, each executive Director has undertaken to the Company that he will not (whether as a manager, agent, representative, consultant, partner, employee or otherwise, but excluding the holding by the executive Director of not exceeding 5% of the shares in any company the shares of which are listed on a recognised stock exchange) either alone or in conjunction with any other person directly or indirectly carry on or be engaged in any business or activity which competes or is likely to compete with the business of any member of the Group in the territories where any member of the Group carry on its business as long as he continues to be a Director and within 12 months after his resignation or termination of his Directors' Service Agreement. Each of the independent non-executive Directors has undertaken with the Company that he shall not engage in any business in competition with the Company during his term of appointment as an independent non-executive Director and within 6 months after the termination of his appointment.

THE GROUP'S RELATIONSHIP WITH STAFF

The Group recognizes the importance of a good relationship with the employees. The remuneration payable to the employees includes salaries and allowances. The Group continues to provide training to the staff to enhance technical and product knowledge as well as knowledge of industry quality standards and work place safety standards.

HUMAN RESOURCES

As at the Latest Practicable Date, the Group had 577 employees, including a total of [3] permanent employees located in Hong Kong and 573 employees in Shenzhen, the PRC. The following table shows a breakdown of the employees by function as at the Latest Practicable Date:

Functions	Hong Kong	Shenzhen
Management	–	10
Finance and administration	1	62
Sales and marketing	1	5
Product development	–	14
Production	–	437
Purchasing and logistic management	1	13
Quality assurance	–	32
Total	[3]	573

The Group considers the highly skilled and experienced employees to be a key factor in the business success. The future success will be dependent on the ability to attract, retain and motivate highly skilled and experienced management and engineering personnel. During the Track Record Period, the Group has not experienced any significant difficulties in recruiting the employees, and have not experienced any significant staff turnover or labor disputes. The Directors believe that the employee relations are satisfactory in general. The Directors believe that the Group's management policies, working environment, career prospects and benefits extended to the employees have contributed to building a good employee relations and employee retention. The Group provides on-the-job training for the employees to equip them with the skills and knowledge relevant to the work. Please refer to the paragraph headed "Staff training" below.

The Group also participates in the mandatory provident fund as required under the relevant Hong Kong laws and regulations, as well as the PRC government sponsored social security system as required under the relevant PRC laws and regulations. The social security system in the PRC includes retirement, work injury, medical care, unemployment and other insurance coverage for the employees.

Social Security and Housing Provident Fund Contribution

Due to differences in local regulations, inconsistent implementation or interpretation by local authorities in the PRC, different levels of acceptance of the social security system by employees, as well as insufficient knowledge on the part of the social security system, during the Track Record Period, the Group has not paid, or have not been able to pay, certain social security contributions for and on behalf of its employees in the following instances:

- Some employees are from rural areas of the PRC ("**Rural Workers**") and their residence registrations are with the villages from which they came. The relevant local government authorities have different policies regarding social security contribution schemes for Rural Workers, who migrate from place to place, which place hardship on Rural Workers to transfer their social security registrations to other localities and continue their social security contributions (including recognizing contributions already made under previous registrations). Some of these Rural Workers are reluctant to participate in social security contribution schemes on the basis that the financial burden of participation outweighs the corresponding benefits, primarily because contributions of pension funds and medical insurance are required to be paid by employees as well as employers, and their inability to transfer contributions previously made by them.

- In relation to temporary employees and new employees who are still under probation, due to the short-term nature of their employment and the high turnover of employees in these categories, it has been difficult in practice to make contributions for these employees. In order to address the effect of the unstable nature of temporary employees' employment, the Group may temporarily suspend payment of social security contributions for employees who are on probation. If an employee is retained after the probation period, the Group will register for social security and back-pay the requisite contributions for the probation period.

The Group estimates that for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, approximately 610, 508 and 378 workers fell into this category (which accounted for 80.8%, 68.6% and 63.5% of all full-time employees of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively), representing a total deficit in social security contributions of approximately HK$289,000, HK$494,000 and HK$564,000, respectively.

The PRC Legal Advisers have advised that the Group has made full contribution to medical insurance and work-related injury insurance in accordance with the relevant local regulations of the PRC but has not fully complied with the applicable PRC Laws and regulations in relation to unemployment insurance and pension insurance for the situations mentioned above during the Track Record Period. The retrospective period for ex-employees to make a complaint to the relevant labour protection administration department is two years, thus the unpaid contribution in respect of the ex-employees of SunFair SZ in 2009 and 2010 amounted to approximately HK$439,000.

According to the PRC Legal Advisers, SunFair SZ has only paid the unemployment insurance from September 2010 for employees with permanent residency of Shenzhen, and from February 2011 for 530 employees. According to the enforcement practice in Shenzhen, unemployment insurance cannot be repaid. Although SunFair SZ has not paid the unemployment insurance timely in the past, under the "Regulations on Unemployment Insurance of Shenzhen Special Economic Zone" (《深圳市經濟特區失業保險條例》*), the business units will be penalized only when they failed to report and pay the overdue insurance after receiving the payment notice from the relevant social insurance authority. Under the circumstance that SunFair SZ did not receive any payment notice, had voluntarily reported and paid the unemployment insurance for its employees, and Shenzhen social insurance authority had accepted SunFair SZ to pay unemployment insurance without imposing penalties on SunFair SZ for its past outstanding payment for unemployment insurance, the PRC Legal Advisers advised that the possibility of SunFair SZ being penalized for the late payment of unemployment insurance in future is limited and remote.

Regarding the pension insurance, according to the Regulations on Employee Pension Insurance of Shenzhen Special Economic Zone (《深圳經濟特區企業員工社會養老保險條例》), if enterprises do not make full contribution of pension insurance, the relevant PRC authority may issue a reminder for payment and a directive of limitation for remediation to such enterprises. If such enterprises fail to settle the underpaid contribution within the required period, they would be subject to a 0.2% per day overdue surcharge in addition to the underpaid contribution. The enterprises may be subject to a maximum penalty of RMB50,000 and the management and other persons with direct responsibilities of such enterprises may be subject to a penalty ranging from RMB10,000 to RMB30,000. According to the enforcement practice in Shenzhen, the outstanding amount of pension insurance can only be repaid within two years. As SunFair SZ has not paid the social insurance for their staff in accordance with the regulations, they may be subject to the penalty by the relevant authority. However, as advised by the PRC Legal Advisers, not paying the pension insurance due to the unwillingness of the employees' is very common in Shenzhen and other areas in the PRC. In fact, shall there be no complaints from the staff being received by the authority, the authority usually does not impose penalties. Furthermore, the possibility of staff complaint is limited and remote as the reason for not paying relevant pension insurance was that staff were unwilling to make their part of payment. Therefore, the possibility of SunFair SZ getting penalized for unpaid pension insurance is limited and remote. From February 2011, SunFair SZ commenced to pay the pension insurance for 543 employes.

Mr. Yeung and Fairson Holdings (BVI), being Controlling Shareholders had agreed to indemnify the Company in full and hold it harmless from and against any loss or liability which may be suffered by the Company as a result of or in connection with the outstanding social insurance contribution and/or any penalty that may be imposed by the relevant PRC authorities in this regard.

The Group has not complied with the housing provident fund contribution requirements for its employees because (i) since the system for housing provident fund has been in place in Shenzhen in 1992, the number of participating enterprises and employees have been limited; (ii) the employees themselves are not willing to make corresponding contributions; and (iii) the housing fund contribution requirements have not been made mandatory through enforcement by the local authority. According to 《深圳市社會保險暫行規定》 (1992) (the Shenzhen Social Insurance Interim Provisions (1992)), these provisions apply to fixed employees and contracted employees with permanent residency (常住戶口) in the city. Although the housing provident fund contributions requirement has not been made mandatory through enforcement by the Shenzhen local authority since 1992, relevant reform proposal has been promulgated recently by Shenzhen government to enforce the housing provident fund system. According to Shenzhen Housing Fund System Reform (《深圳市住房公積金制度改革方案》), Shenzhen Housing Fund Management Committee (深圳市住房公積金管理委員會) and Shenzhen Housing Fund Management Centre (深圳市住房公積金管理中心) [were established in December 2010. Measures for Management of Shenzhen Housing Provident Fund 《深圳市住房公積金管理暫行辦法》 (hereinafter referred to as "the Measures"), which are the implementation rules for the Shenzhen housing fund reform, were promulgated on 30 November 2010 and came into force on 20 December 2010. According to the Measures, a newly-established unit shall register with Housing Fund Management Centre within 30 days after its establishment, while units which were established before the enforcement of the Measures shall register housing provident fund within the timeframe prescribed by Housing Fund Management Centre. According to Provisional Measures for Management of Payment and Deposit of Shenzhen

Housing provident Fund (For Trial Implementation) (《深圳市住房公積金繳存管理暫行規定(試行)》), units which were established before the enforcement of the Measures shall register housing provident fund within six months from the date of the enforcement of the Measures. The Group made an application for registration of housing provident fund on 10 January 2011. The registration has been completed and the Group commenced to contribute to housing provident fund in March 2011.

The unpaid housing provident funds as at 31 March 2009 and 2010 and 31 December 2010 were HK$2,348, HK$4,696 and HK$[6,457] respectively.

Mr. Yeung and Fairson Holdings (BVI), being Controlling Shareholders had agreed to indemnify the Company in full and hold it harmless from and against any loss or liability which may be suffered by the Company as a result of or in connection with the outstanding payments of the housing provident funds and any penalty that may be imposed by the relevant PRC authorities in this regard.

Since the Group rules out the possibility that it may be subject to employee demands to make such past contributions, as of 31 December 2010, the Group had made provision of HK$289,000, HK$494,000 and HK$564,000, respectively in its financial statements in respect of the overdue contributions for the Track Record Period which was calculated based on the relevant prevailing laws and regulations in the PRC.

Save as disclosed above, the Group was in compliance with all relevant social security laws and regulations throughout the Track Record Period. As at the Latest Practicable Date, the Group was not aware of any recent employees' complaints on demands for payment of social security and housing provident fund contributions, nor had the Group received any relevant legal documentation from the labor arbitration tribunals or the People's Courts regarding social security and housing provident fund contributions disputes.

Since February 2011, the Group have allocated and assigned an appropriate staff member to generate the breakdowns of the payments from the website of relevant local PRC authority. A clerk of the Group is responsible for checking those breakdowns, including the number of employees and the total amounts of the payments. The clerk will sign and confirm the breakdowns after checking. With the approval and signature from the finance manager, the assigned staff member submits the payments to the relevant authority. The Directors believe that these procedures help to ensure that the Group complies with its obligations to pay social security and housing provident fund contributions in a timely manner in future.

During the Track Record Period, the Group has not experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in its recruitment and retention of experienced staff. The Directors believe that the Group has a good working relationship with its employees.

STAFF TRAINING

The Group's staff training is typically conducted internally by its senior management staff and the various heads of department at its premises.

The trainings that the Group provides include:

- Orientation training for new employees to provide them with an overview of the Group's corporate culture and gain an understanding of its business operations, company policies and occupational safety;
- Training on basic skills and knowledge as would be relevant to their respective job functions. The Group also requires its senior and experienced staff to act as mentors for new employees;
- Technical training on new products and new standards is conducted on an ongoing basis for the Group's technical staff. The Group also engages experienced specialists and professionals in its industry to give training in relation to new technical knowledge and technology.
- [Management training for the Group's selected management staff is conducted by training organisations; and
- Sales and marketing training on business strategies by professionals engaged from various consulting organisations, universities and colleges are conducted 2 to 3 times each year.]

BOARD COMMITTEES

Audit committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 27 April 2011 with written terms of reference in compliance with [●]. The written terms of reference of the audit committee was adopted in compliance with [●]. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, reappointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. At present, the audit committee of the Company consists of three members, namely Mr. Li Hin Lung, Mr. Chan Kai Wo and Mr. Chua Hoon Chong. Mr. Li Hin Lung is the chairman of the audit committee.

Remuneration committee

The Company established a remuneration committee pursuant to a resolution of the Directors passed on 27 April 2011 with written terms of reference in compliance with [●]. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration; and ensure none of the Directors determine their own remuneration. The remuneration committee consists of three members, namely Mr. Yeung Tin Hung, Mr. Li Hin Lung and Mr. Chua Hoon Chong. Mr. Yeung Tin Hung is the chairman of the remuneration committee.

Nomination committee

The Company established a nomination committee pursuant to a resolution of the Directors passed on 27 April 2011. Written terms of reference in compliance with [●] have been adopted. The primary function of the nomination committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. The nomination committee consists of three members, namely Mr. Yeung Tin Hung, Mr. Li Hin Lung and Mr. Chua Hoon Chong. The chairman of the nomination committee is Mr. Yeung Tin Hung.

THE SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix VI to this document.

You should read the following discussion and analysis of the Group's financial condition and results of operations together with the combined financial information for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 and the accompanying notes included in the Accountant's Report set out in Appendix I to this document. The Accountant's Report has been prepared in accordance with HKFRSs. Potential investors should read the whole of the Accountant's Report set out in Appendix I to this document and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this document.

OVERVIEW

The Group is principally engaged in the manufacture and sale of power and data cords. During the Track Record Period, it manufactured over 40 types of power and data cords for mobile handsets, over 450 types of power cords and inlet sockets for household electric appliances. The Group is also involved in the manufacture and sale of raw cables without connector plugs for mobile handsets and the assembly of medical control devices, which are used primarily by patients in hospital wards and the related accessories.

The Group focuses on the development, manufacture and sale of power and data cord products and has developed a variety of power and data cord products which are mainly used in mobile handsets and power cord and inlet sockets which are used in household electric appliances including television set-top boxes and lighting appliances, etc. In addition, in light of the rising awareness in environmental protection, the Group has launched the halogen-free series of power and data cords.

The Directors believe that, with long history of operation with over 20 years in the power and data cord industry since the time of Old SunFair, the Group has established a widely recognized brand with different competitive strengths including strategically located production base, product development capabilities and solid customer base. The Directors intend to capitalise on these strengths to and further develop the power and data cord business to capture opportunities in electronic appliance market in the PRC.

For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, the total revenue of the Group was amounted to approximately HK$184.4 million, HK$160.0 million and HK$125.9 million respectively, whilst the gross profit of the Group was amounted to approximately HK$26.0 million, HK$35.6 million and HK$26.5 million respectively. The profit after taxation for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 amounted to approximately HK$6.9 million, HK$24.0 million and HK$16.4 million respectively.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

For the purposes of this document, the combined statements of financial position, combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of the Group for each of the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 have been prepared using the existing book values of the income, expenses, assets and liabilities of SunFair HK and its subsidiaries (the "SunFair Group"), a group of entities which will become subsidiaries of the Company upon completion of the Reorganisation. The financial information of SunFair Group is prepared in accordance with the accounting policies as set out in Note 2.2 in the Appendix I to this document.

The Reorganisation, which has not resulted in any changes in the substance of the business of the SunFair Group before and after the Reorganisation, is accounted for using the accounting principle which is similar to that of a reverse acquisition and the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

All significant intra-group transactions and balances have been eliminated on combination.

FACTORS AFFECTING THE FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

SunFair Industrial was not consolidated with and included in the Group's financial performance for the year ended 31 March 2010 and for the period up to 31 May 2010 when the Group acquired the entire interest in SunFair Industrial

SunFair Industrial was incorporated and owned as to 50% by each of Mr. Yeung and Mr. Li in May 2009. SunFair Industrial is principally engaged in the processing and distribution of raw cables (without connector plugs). For details of SunFair Industrial, please refer to the paragraph headed "SunFair Industrial" in the section headed "History, Development And Corporate Structure" in this document. The Group held 50% interests in SunFair Industrial which was treated a jointly controlled entity of the Group during the period from 31 March 2010 to 31 May 2010. As such, the Group's transactions with SunFair Industrial during such period were not eliminated and therefore not included in the Group's financial results. After the Group acquired the remaining 50% interests in SunFair Industrial on 31 May 2010, the Group's transactions with SunFair Industrial were eliminated and the financial performance and position of SunFair Industrial were consolidated with the Group since then.

Macro economic environment and general market conditions for power and data cord products

The Group is principally engaged in the manufacture and sale of power and data cord products. The macro economic environment and the growth of consumer and household electronics sector would have a significant impact on the Group's operations. During the Track Record Period, the Group's business and operations were adversely affected by the economic crisis which occurred in the second half of 2008.

Pricing

Market conditions of copper materials have an impact on the pricing of the Group's products. Copper is a major material of the Group's products. Pricing of the Group's products is determined with reference to copper price and the Group is able to transfer part of the increase of copper price to customers of household appliances power cord by charging a higher selling price. The Directors believe that selling price adjustment with reference to copper price is a common industry practice.

Product mix

The Group manufactures and sells a wide range of raw cables and power and data cord products under different specifications to meet the demands and requirements of its customers. In addition, the Group also assembles medical control devices. The product mix of the Group, which is the combination of raw cables and power and data cords with different functions and specifications, may affect its gross profit margins since different products such as power and data cords, as well as medical control devices, have different levels of demand and corresponding selling prices in different markets. The sales of power and data cords for mobile handsets and medical control devices increased throughout the Track Record Period, accounting for 37.2%, 50.7% and 65.3% of the Group's total turnover for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, respectively, whilst the sales of raw cables decreased. The Group will continue to manage and optimise the product mix in response to market conditions in order to maintain and increase its gross profit margins.

Cost of raw materials

Cost of raw materials represents a significant portion of the Group's cost of sales. For each of the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, such costs represented approximately 76.4%, 78.2% and 70.5%, respectively, of the cost of sales of the Group. As such, any significant fluctuation in the price of raw materials may have a significant impact on the profitability. Major raw materials of the Group include copper wires, plastic powder and non-ferrous metal connectors. In recent years, the Group has experienced price fluctuations for some raw materials in particular copper due to various factors including changes in demand and supply for commodities. The Group believes that long-term relationships with its major suppliers enhance its bargaining power and ability to negotiate for better prices of raw materials.

Absorption of cost increment in selling price

Regarding the power and data cords for mobile handsets, the increase in cost of raw materials, e.g. copper wires, is partially absorbed by the Group as the selling price of power and data cords for mobile handsets is negotiated with customers and remained unchanged for a prolonged period of several months (i.e. over three months) despite any change in copper price. The selling price usually changed at a regular interval from three to six months. Due to the fact that the selling prices of power cords for household electric appliances of the Group are determined with reference to the purchase price of bare power cords (without connector plugs), such purchase cost can be factored into the Group's selling price, the impact of copper wire fluctuation on the Group's costs was considered not significant in the household electric appliances power cord segment as the Group is in general able to transfer copper price increase to customers by charging higher selling price. The Group seeks to reduce the impact of fluctuation of the copper price and bare power cord price to the Group by bulk purchase or avoid keeping excessive copper wire and bare power cord inventories.

Ability to launch new products

The product development capacity of the Group enhances its production techniques and quality of products, widens the application and the functions of its products, which in turn the new products launched by the Group to meet the changing demand of its customers and potential new customers. The enhanced production technique helps to lower the production cost, while better quality products could be sold at higher prices.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the financial position and results of operations of the Group as included in this document is based on the combined financial information prepared using the significant accounting policies set forth in Note 2 to the accountant's report set out in Appendix I to this document, which conform with the HKFRSs. The critical accounting estimates and judgements that the Group used in applying its accounting policies are set out in Note 4 to the accountant's report set out in Appendix I to this document. Such estimates and judgements are made based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ under different assumptions or conditions.

Below is a summary of certain significant accounting policies that are considered by the Group to be important to the presentation of financial results and positions. The Group also has other accounting policies that it considers to be significant, the details of which are set forth in Note 2 to the accountant's report set out in Appendix I to this document.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods

Sale of goods is recognised when products have been delivered to the Group's customer. Delivery does not occur until the products have been transported to the specified location, the risks of obsolescence and loss have been transferred to the customer, regardless of whether the customer has accepted the products in accordance with the sales invoice, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Property, plant and equipment

Property, plant and equipment are stated in the combined statement of financial position at cost less accumulated depreciation and impairment losses (see note 2.8 to the accountant's report set out in Appendix I to this document). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the carrying amount of an item of property, plant and equipment or recognised as a separate item of property, plant and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance and overhaul costs, are recognised in the combined statement of comprehensive income as an expense in the period in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the profit or loss on the date of retirement or disposal within "administrative expenses" in the combined statement of comprehensive income.

Depreciation on property, plant and equipment is calculated to write off the cost of items of property, plant and equipment using the straight line method to their residual values over their estimated useful lives as follows:

Leasehold land	Unexpired lease term
Buildings	Shorter of the unexpired term of land lease and 40 years
Moulding and equipment	5 years
Motor vehicles	4 years
Furniture and office equipment	4 years
Leasehold improvements	Shorter of 4 years and the term of lease

Leasehold land classified as finance lease is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the land interest. Depreciation commences from the land interest becomes available for its intended use, and is calculated using straight-line method to allocate the cost over the remaining lease terms of 30 to 40 years.

The property, plant and equipment's residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The property, plant and equipment's carrying amount is written down immediately to its recoverable amount if the property, plant and equipment's carrying amount is greater than its estimated recoverable amount (see note 2.8 to the accountant's report set out in Appendix I to this document).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Goodwill

Goodwill is the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible asset'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

RESULTS OF OPERATIONS

The following table sets forth the combined statements of comprehensive income of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010, which are derived from, and should be read in conjunction with, the combined financial information set forth in the accountant's report set out in Appendix I to this document.

	For the year ended 31 March		For the nine months ended 31 December	
	2009	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Turnover	184,407	160,012	120,756	125,906
Cost of sales	(158,399)	(124,417)	(94,311)	(99,371)
Gross profit	26,008	35,595	26,445	26,535
Other (losses)/gains – net	(113)	15,961*	15,199*	5,932
Selling expenses	(8,686)	(4,034)	(3,192)	(3,585)
Administrative expenses	(8,186)	(18,253)*	(16,717)*	(9,857)
Operating profit	9,023	29,269	21,735	19,025
Finance income	103	4	3	42
Finance costs	(1,118)	(743)	(584)	(609)
Share of profit of a jointly controlled entity	–	–	–	47
Profit before income tax	8,008	28,530	21,154	18,505
Income tax expense	(1,071)	(4,520)	(3,605)	(2,138)
Profit and total comprehensive income for the year/period	6,937	24,010	17,549	16,367

* The administrative expenses and other gains-net include non-recurring employee benefits of HK$13.8 million and a gain of HK$13.8 million related to the deemed disposal of raw cable business to SunFair Industrial. Such expenses and gains were offset by each other and there was no financial impact to the Group.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Revenue represents the net amounts received and receivable for sale of power and data cord products to the customers. The revenue of the Group is mainly derived from the sale of power and data cords for mobile handsets, medical control devices, power cords and inlet sockets for household appliances and raw cables. Most of the power and data cord products of the Group for mobile handsets have adopted environmentally friendly low smoking halogen-free insulating materials for cable jacketing. The total revenue of the Group experienced a general decrease by 13.2% from HK$184.4 million for the year ended 31 March 2009 to HK$160.0 million for the year ended 31 March 2010.

The following table sets forth the analysis of the Group's revenue by product segment for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010:

	For the year ended 31 March				For the nine months ended 31 December			
	2009		2010		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Power and data cords for mobile handsets	53,430	29.0	63,834	39.9	46,916	38.9	68,228	54.2
Medical control devices	15,148	8.2	17,261	10.8	12,212	10.1	14,028	11.1
Power cords and inlet sockets for household electric appliances	50,116	27.2	43,934	27.5	30,472	25.2	32,822	26.1
Raw cables	57,212	31.0	29,204	18.2	25,946	21.5	9,423	7.5
Others	8,501	4.6	5,779	3.6	5,210	4.3	1,405	1.1
Total	184,407	100.0	160,012	100.0	120,756	100.0	125,906	100.0

The following table sets out a breakdown of the number of units/length of power and data cords and raw cables sold and the average selling price for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010:

	For the year ended 31 March				For the nine months ended 31 December			
	2009		2010		2009		2010	
	Number of units/ length sold	Average unit selling price (Note)	Number of units/ length sold	Average unit selling price (Note)	Number of units/ length sold	Average unit selling price (Note)	Number of units/ length sold	Average unit selling price (Note)
	(million)	*(HK$)*	*(million)*	*(HK$)*	*(million)*	*(HK$)*	*(million)*	*(HK$)*
Power and data cords for mobile handsets (units)	36.0	1.48	44.8	1.43	31.6	1.48	44.1	1.55
Medical control devices (units) . .	0.6	26.38	0.7	24.71	0.4	28.57	0.5	28.60
Power cords and inlet sockets for household electric appliances (units)	15.8	3.17	18.6	2.36	14.0	2.18	11.9	2.75
Raw cables (metres)[Note] . . .	151.5	0.38	41.8	0.39	35.5	0.44	23.0	0.37

Note: The quantity and the average unit selling price of raw cables in the above table excluded the sales to SunFair Industrial.

The Group's revenue amounted to HK$184.4 million and HK$160.0 million for the years ended 31 March 2009 and 2010, respectively. The decrease in revenue for the year ended 31 March 2010 was primarily due to (i) a decrease of the volume of sales of raw cable by the Group since the raw cable business has been transferred to SunFair Industrial upon its incorporation and there is a change in the Group's strategy to focus on integrated products with connectors instead of 2-pin raw cables since the transfer of raw cable business to SunFair Industrial; and offset by (ii) a general decrease in average unit selling prices of the Group's products resulting from changes in product specifications which result in a reduction of copper usage and raw cable material costs of the Group's products.

Sales of power and data cords for mobile handsets and medical control devices are the major segment of the Group in terms of sales value accounting for 37.2%, 50.7% and 65.3% for the years ended 31 March 2009 and 2010 and nine months ended 31 December 2010 respectively. Sale of power and data cords for mobile handsets increased for the year ended 31 March 2010 mainly due to the increase in sales volume from 36.0 million units for the year ended 31 March 2009 to 44.8 million units for the year ended 31 March 2010 as a result of the change in the Group's strategy to focus on integrated products with connectors instead of 2-pin raw cables, which was partially offset by a slight decrease in average unit selling price. Sales of medical control devices increased for the year ended 31 March 2010 due to the increase in sales volume from 0.6 million units for the year ended 31 March 2009 to 0.7 million units for the year ended 31 March 2010 as a result of the increase of the sales volume of components during the year.

Sales of power cords and inlet sockets for household electric appliances decreased for the year ended 31 March 2010 mainly due to an overall decrease in average unit selling prices of power and inlet sockets for household electric appliances as a result of the decrease in materials consumption due to the change of product specification, a decrease in average unit price of the purchased raw cables which was partially offset by an increase in sales volume from 15.8 million units for the year ended 31 March 2009 to 18.6 million units for the year ended 31 March 2010.

Sales of raw cables decreased by 49% for the year ended 31 March 2010 mainly due to (i) the transfer of the raw cables business to SunFair Industrial during the year ended 31 March 2010 and (ii) the Group's strategy to focus on integrated products with connectors instead of 2-pin raw cables, resulting in a decrease in sales of raw cables from 151.5 million metres for the year ended 31 March 2009 to 41.8 million metres for the year ended 31 March 2010, partially off-set by the transfer of inventories including raw materials and cables with connectors amounted to HK$12.7 million to SunFair Industrial during the year. The Group adopts such strategy in view of its comparably low value-added nature. The main reason for the change in business strategy to focus on integrated products instead of 2-pin raw cables is to attract those customers who prefer to source both mobile handset cables and connector plugs from a single supplier. Although there remains market demand for 2-pin raw cables, the Directors believe that an integrated business model (i.e. selling cables with connectors) benefits the Group in the long term and maintain the competitive edge of the Group

Other revenues mainly included trading of other cables and moulding equipment.

For the nine months ended 31 December 2009 and 2010, the Group's revenue amounted to HK$120.8 million and HK$125.9 million respectively. The increase in revenue was primarily due to increase in the sales of power and data cords for mobile handset offset by drop of the sales of raw cables.

Sale of power and data cords for mobile handsets increased for the nine months ended 31 December 2010 mainly due to (i) the increase in sales volume from 31.6 million units for the nine months ended 31 December 2009 to 44.1 million units for the nine months ended 31 December 2010 as a result of the change in the Group's strategy to concentrate on integrated products with connectors, rather than selling bare raw cables, (ii) increase in average unit selling price as a result of the increase in material costs and (iii) increasing market demand for micro-USB cables which are of a higher average selling price for the nine months ended 31 December 2010. Sales of medical control devices remained stable during the nine months ended 31 December 2009 and 2010.

Sales of medical control devices increased from HK$12.2 million for the nine months ended 31 December 2009 to HK$14.0 million for the nine months ended 31 December 2010 mainly due to the increase in sales volume from 0.4 million unit for the nine months ended 31 December 2009 to 0.5 million unit for the nine months ended 31 December 2010.

Sales of power cords and inlet sockets for household electric appliances increased from HK$30.5 million for the nine months ended 31 December 2009 to HK$32.8 million for the nine months ended 31 December 2010 mainly due to the increase in the average unit selling prices as a result of the increase in the purchased raw cables cost driven by the increase of copper price for the nine months ended 31 December 2010 and the Group has transferred such cost increment to the customers, which was partially offset by decrease in sales volume from 14.0 million units for the nine months ended 31 December 2009 to 11.9 million units for the nine months ended 31 December 2010.

Sales of raw cables further decreased mainly due to the Group's strategy to concentrate on integrated products with connectors rather than selling bare cables resulting a decrease in sales of raw cables from 35.5 million metres for the nine months ended 31 December 2009 to 23.0 million metres for the nine months ended 31 December 2010.

Most of the Group's customers have established manufacturing premises in the Guangdong Province, the PRC. The Group may issue invoices to Hong Kong subsidiaries of the customers whilst the products are ultimately delivered to their manufacture bases in the PRC. The Directors, having consulted with the PRC and Hong Kong legal advisers, are of the view that such sales model is not in breach of the PRC and Hong Kong custom laws and the Directors also believe that the existing pricing arrangements between SunFair HK and SunFair SZ are on an arm's length basis and are compliance with the transfer pricing regulations. Sales to other countries are mainly in relation to sales of power cords and inlet sockets for household electric appliances, medical control devices and power and data cords for mobile handsets. For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010, the aggregate sales to the five largest customers were HK$138.5 million, HK$112.2 million and HK$97.2 million, representing 75.1%, 70.0% and 77.2% of the Group's revenue, respectively. Sales to the largest customer of the Group during the same periods were HK$66.2 million, HK$38.3 million and HK$36.1 million, representing 35.9%, 23.9% and 28.6% of the revenue, respectively. The Company believes that it will continue to generate a significant portion of its revenue from a limited number of quality customers.

Set out below is an analysis of the Group's sales by geographical location of the entities to whom invoices are issued for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010:

	For the year ended 31 March				For the nine months ended 31 December			
	2009		2010		2009		2010	
	HK$'000	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
PRC and Hong Kong	121,087	65.7	109,060	68.2	81,248	67.3	93,663	74.4
Taiwan	26,547	14.4	21,248	13.3	16,642	13.8	14,392	11.4
USA	15,529	8.4	17,525	10.9	12,238	10.1	14,191	11.3
Brazil	20,958	11.4	11,417	7.1	9,983	8.3	3,194	2.5
Other countries	286	0.1	762	0.5	645	0.5	466	0.4
Total	184,407	100.0	160,012	100.0	120,756	100.0	125,906	100.0

During the Track Record Period, sales of medical control devices were made to a medical equipment company in the USA, sales of power and data cords for mobile handsets were mainly made to mobile handsets manufacturers in Brazil and sales of power cords for household electrical appliances were made to an electrical appliance manufacturer in Taiwan. Business relationship of the Group with the said customers in the USA, Brazil and Taiwan is over eight years, three years and sixteen years respectively.

Cost of Sales

The cost of sales of the Group mainly consists of costs of raw materials and consumable used and factory overheads. The principal raw materials for the production of cables and plugs include bare raw cables (without connectors) from SunFair Industrial, copper wires, plastic powder (including thermoplastic elastomer, thermoplastic polyurethane and polyphenyleneoxide) and non-ferrous metal components for socket connectors. Factory overheads mainly consist of electricity and water, direct labour cost, depreciation, repairs and maintenance, subcontracting charge, rental expenses and insurance (included medical and social insurance, general insurance for the Group's properties and motor vehicles).

The following table sets out the breakdown of cost of sales by nature for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010.

	For the year ended 31 March				For the nine months ended 31 December			
	2009		2010		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Raw materials and consumables used	120,754	76.2	96,599	77.6	72,170	76.5	70,975	71.4
Changes in inventories of finished goods and work in process	56	0.0	382	0.3	2,073	2.2	(1,366)	(1.3)
Direct labour	15,747	9.9	13,855	11.1	10,669	11.3	13,832	13.9
Electricity and water	5,194	3.3	1,949	1.6	1,662	1.8	2,622	2.6
Rentals for factory premises	1,704	1.1	1,050	0.9	888	0.9	1,324	1.3
Depreciation	2,044	1.3	2,249	1.8	1,646	1.8	2,183	2.2
Repairs and maintenance	1,796	1.1	835	0.7	666	0.7	1,262	1.3
Subcontracting charge	5,961	3.8	4,901	3.9	2,930	3.1	6,439	6.5
Other factory overheads	5,143	3.3	2,597	2.1	1,607	1.7	2,100	2.1
Total	158,399	100.0	124,417	100.0	94,311	100.0	99,371	100.0

For the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010, the Group's cost of sales accounted for 85.9%, 77.8%, 78.1% and 78.9% of its revenue, respectively. Raw materials and consumables used are the major cost components which accounted for 76.2%, 77.6%, 76.5% and 71.4% of the cost of sales for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010, respectively. The decrease of cost of raw materials consumed for the year ended 31 March 2010 was mainly due to:

(i) the incorporation of SunFair Industrial in May 2009 from which the Group procured raw cables for the production of power and data cords, which results in the reduction of procurement of copper and plastic powder by the Group. Since the incorporation of SunFair Industrial to May 2010, SunFair Industrial was not a subsidiary of the Group and its cost of sales was not included in the Group's cost of sales. Since the acquisition of the remaining 50% interests in SunFair Industrial by the Group in May 2010, the cost of sales of SunFair Industrial has been consolidated with that of the Group;

(ii) the decrease of copper usage as a result of the substantial drop in sales volume of raw cables from 151.5 million metres for the year ended 31 March 2009 to 41.8 million metres for the year ended 31 March 2010 and the reduction of weighted average length of power and data cord from 1.7 metres to 1.4 metres and 2.06 metres to 1.69 metres per unit for mobile handsets and household appliances respectively as a result of the change in product specification; and

(iii) the decrease in the average copper material price from HK$68.1 per kg for the year ended 31 March 2009 to HK$41.4 per kg for the year ended 31 March 2010.

For the year ended 31 March 2009, the Group started to purchase diesel and generate electricity for its own use in view of the occasional restriction of use of electricity implemented in Guangdong Province in 2008 owing to the power shortage. Due to the fact that the Group ceased to purchase diesel to generate electricity for its own use for the year ended 31 March 2010 and SunFair Industrial reimbursed the Group utility expenses on monthly basis in relation to its operation after its incorporation in May 2009, the electricity and water costs for such period were substantially decreased. Decrease of labour costs was due to assignment of the labour cost amounting to HK$3.0 million to SunFair Industrial since its incorporation. Decrease of subcontracting charges was due to the decrease of the subcontracting charges per unit of the power and data cords for mobile handsets. The other factory overheads experienced a substantial decrease from HK$5.1 million for the year ended 31 March 2009 to HK$2.6 million for the year ended 31 March 2010, representing a decrease of 49%. It is mainly due to the decrease of freight and transportation costs, samples and tooling costs and value added tax provision during the year. Such transportation costs, samples and tooling costs and value added tax provision were HK$881,000, HK$962,000 and HK$1,472,000 respectively for the year ended 31 March 2009 and decreased to HK$453,000, HK$376,000 and HK$208,000 respectively for the year ended 31 March 2010. For the year ended 31 March 2010, the Group's purchase of copper wire and plastic powder decreased significantly primarily due to the setting up of SunFair Industrial, a related company of the Group which manufactured bare raw cable (without connectors) and sold to the Group since July 2009. The decrease in the cost of copper wire of the Group for the year ended 31

March 2010 was mainly due to (i) the incorporation of SunFair Industrial in May 2009; (ii) the decrease of copper usage as a result of the decrease of volume of sales of raw cables from 151.5 million metres for the year ended 31 March 2009 to 41.8 million metres for the year ended 31 March 2010 and the weighted average length of power and data cords from 1.7 metres to 1.4 metres and 2.06 metres to 1.69 metres per unit for mobile handsets and household appliances respectively as a result of the change in product specification; and (iii) the decrease in the average copper material price from HK$68.1 per kg for the year ended 31 March 2009 to HK$41.4 per kg for the year ended 31 March 2010. Besides, SunFair Industrial reimbursed the Group all directly incurred utility expenses during its operations.

Cost of sales increased from HK$94.3 million for the nine months ended 31 December 2009 to HK$99.4 million for the nine months ended 31 December 2010. The cost of raw materials consumed remained stable for the nine months ended 31 December 2009 and 31 December 2010. Increase in the cost of direct labour from HK$10.7 million for the nine months ended 31 December 2009 to HK$13.8 million for the nine months ended 31 December 2010 was mainly due to an increase in number of workers for manufacturing and an increase in average wages. Increase in subcontracting charges from HK$2.9 million for the nine months ended 31 December 2009 to HK$6.4 million for the nine months ended 31 December 2010 was mainly due to the increase in subcontracting the manufacturing of certain power and data cord for mobile handsets resulting from an increase of 127.3% in volume for one purchase orders from the customer. Increase in the cost of electricity and water from HK$1.7 million for the nine months ended 31 December 2009 to HK$2.6 million for the nine months ended 31 December 2010 was as a result of the remaining 50% interest in SunFair Industrial since 31 May 2010, thus included its cost of electricity and water in the Group's cost of sales as a result of consolidation.

The following table sets out the breakdown of cost of raw materials consumed of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010:

	Year ended 31 March				Nine months ended 31 December			
	2009		2010		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Raw materials and consumables used								
Copper wires. . . .	37,354	30.9	3,018	3.1	3,018	4.2	8,278	11.7
Plastic powder . . .	22,603	18.7	7,945	8.2	6,479	9.0	11,707	16.5
Raw cables								
– from other suppliers . . .	29,622	24.5	17,000	17.6	11,569	16.0	13,454	19.0
– from SunFair Industrial (1) .	–	–	37,368	38.7	28,345	39.3	6,507	9.1
Others	31,175	25.9	31,268	32.4	22,759	31.5	31,029	43.7
Total	120,754	100.0	96,599	100.0	72,170	100.0	70,975	100.0

Note:

1. The Group's purchases from SunFair Industrial have been eliminated by the Group after 31 May 2010 upon consolidation.

The decrease in the cost of raw materials consumed for the year ended 31 March 2010 was mainly due to decrease of copper usage and plastic powder owing to the setting up of SunFair Industrial since May 2009 and the decrease in sales volume of raw cables from 151.5 million metres for the year ended 31 March 2009 to 41.8 million metres for the year ended 31 March 2010 (as copper wires and plastic powder accounted for a significant portion of the raw materials and consumables used for the manufacturing of raw cables). The result was offset by the increase in raw cables costs purchased from SunFair Industrial since its incorporation instead of purchasing copper and plastic powder for internal manufacturing.

Having considered the costs incurred by SunFair Industrial, the decrease in the cost of copper wire of the Group for the year ended 31 March 2010 was mainly due to decrease of copper material price from the average of HK$68.1 per kg for the year ended 31 March 2009 to the average of HK$41.4 per kg for the year ended 31 March 2010; the decrease of copper usage as a result of the decrease of volume of sales of raw cables from 151.5 million metres for the year ended 31 March 2009 to 41.8 million metres for the year ended 31 March 2010 as copper wires accounted for a significant portion of the cost of raw materials consumed for the manufacturing of raw cables.

The purchase of copper wires and plastic powder for the Group and SunFair Industrial are analysed on a combined basis as follows:

	Year ended 31 March		**Nine months ended 31 December**	
	2009	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Copper wires				
– the Group	36,057	3,557	3,557	8,031
– SunFair Industrial	–	13,625	9,209	3,819
	36,057	17,182	12,766	11,850

	Year ended 31 March		**Nine months ended 31 December**	
	2009	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Plastic powder				
– the Group	20,962	8,632	6,746	10,258
– SunFair Industrial	–	7,594	5,519	2,217
	20,962	16,226	12,265	12,475

There is a significant drop in the costs of copper wires purchased from HK$36.1 million for the year ended 31 March 2009 to HK$17.2 million for the year ended 31 March 2010. The decrease is mainly due to the drop in sales volume of raw cables as a result of the change in the Group's strategy to concentrate on integrated products with connectors rather than selling 2-pin raw cables, which copper accounted for a significant portion of the raw materials. For the nine months ended 31 December 2009, the copper wire cost was HK$12.8 million and it decreased to HK$11.9 million for the nine months ended 31 December 2010, which was mainly due to the decrease in the sales volume of raw cables for the nine months ended 31 December 2010 as compared to the same period.

The drop in plastic powder costs from HK$20.9 million for the year ended 31 March 2009 to HK$16.2 million for the year ended 31 March 2010 was mainly due to the drop in average unit price of plastic powder and the drop in the sales of raw cables as a result of the change in the Group's strategy to concentrate on integrated products with connectors rather than selling 2-pin raw cables. The plastic powder costs remained stable for the nine months ended 31 December 2009 and 31 December 2010.

The average copper material price experienced a decrease from HK$68.1 per kg for the year ended 31 March 2009 to HK$41.4 per kg for the year ended 31 March 2010 and the price increased to HK$67.4 per kg for the nine months ended 31 December 2010. On the contrary, the average plastic powder cost of the Group fluctuated from HK$17.5 per kg to HK$19.6 per kg during Track Record Period.

Gross profit and gross profit margin

The table below sets forth a breakdown of the gross profit and margins of the raw cables, power and data cords for mobile handsets, medical control devices and power cord and inlet socket products for household electric appliances for the periods indicated:

	For the year ended 31 March				For the nine months ended 31 December			
	2009		2010		2009		2010	
	HK$'000	*Margin %*	*HK$'000*	*Margin %*	*HK$'000* (unaudited)	*Margin %*	*HK$'000*	*Margin %*
Power and data cords for mobile handsets and medical control devices	4,848	7.1	16,577	20.4	9,833	16.6	16,275	19.8
Power cords and inlet sockets for household electric appliances	8,112	16.2	9,249	21.1	6,765	22.2	7,891	24.0
Raw cables	12,578	22.0	8,582	29.4	8,867	34.2	1,899	20.2
Others	470	5.5	1,187	20.5	980	18.8	470	33.4
Total	26,008	14.1	35,595	22.2	26,445	21.9	26,535	21.1

The gross profit and gross profit margin of power and data cords for the mobile handset and medical control device segments cannot be ascertained with reasonable accuracy due to absence of a fair cost allocation basis as a result of (i) unallocatable and common direct labour cost; and (ii) unallocatable and common utilities costs.

The gross profit of the Group is the revenue less cost of sales. Gross profit margin is the gross profit divided by revenue. The gross profit margin is affected by the price of products, the product mix of the Group and the length of cable products. If the copper price decrease or increased by 10%, the gross profit would increase or decrease by approximately 2%, 0.2% and 0.7% respectively for the years ended 31 March 2009, 31 March 2010 and for the nine months ended 31 December 2010. For the years ended 31 March 2009 and 2010, the gross profit amounted to HK$26.0 million and HK$35.6 million respectively, whilst the gross margin was 14.1% and 22.2% for the same periods respectively. The improvement in the Group's gross margin for the year ended 31 March 2010 was mainly due to (i) the change in product specification which results in decrease in average length from 1.7 metres to 1.4 metres and 2.06 metres to 1.69 metres for power and data cords of mobile handsets and household appliances respectively; and (ii) the decrease of the subcontracting charge per unit of the power and data cords for mobile handset. The improvement in the gross margin from the sales of power and data cords for mobile handsets and medical control devices for the year ended 31 March 2010 was mainly due to (i) the decrease of the per unit subcontracting cost; (ii) the decrease of direct labour of power and data cord for mobile handsets and medical control devices; and (iii) the improvement in production efficiency resulted from economies of scale. The improvement of the gross margin from the sales of power cords and inlet sockets for household electric appliances for the year ended 31 March 2010 was mainly due to the decrease in purchase price of bare cables as a result of: (i) shortening of the average length of the power cord products from 2.06 metres for the year ended 31 March 2009 to 1.69 metres for the year ended 31 March 2010; (ii) drop in average unit of cost of raw cables as a result of a decrease in market price of copper; and (iii) improvement in production efficiency resulted from the economies of scale. The improvement in the gross margin for the sales of raw cables for the year ended 31 March 2010 was due to the increase in average unit price as a result of change in customer mix. For the nine months ended 31 December 2009 and 2010, the gross profit amounted to HK$26.4 million and HK$26.5 million respectively, whilst the gross margin was 21.9% and 21.1% respectively. The slight decrease in gross margin for the nine months ended 31 December 2010 was mainly due to the change of product mix. The increase of the gross margin from the sales of power and data cords for mobile handsets and medical control devices for the nine months ended 31 December 2010 was mainly due to the increase in average unit selling price for power and data cords for mobile handsets as a result of the increasing market demand for micro-USB cables which are sold at a higher price. The improvement in the gross margin for the sale of power cord and inlet socket for household electric appliances for the nine months ended 31 December 2010 was mainly due to the increase in average unit selling price for certain major household electric appliance power cord and inlet socket customers as a result of increase in average unit costs which the Group transferred the incremental costs to the customers. Gross margin of raw cable business continued to drop for the nine months ended 31 December 2010 was mainly due to (i) the increase in price of copper and (ii) the decrease in average unit selling price as a result of keen competition.

Other gains/(losses) – net

Other gains and losses included primarily foreign exchange losses or gains, gain on settlement of foreign exchange forward contracts, gain on disposal of interest in SunFair Industrial, gain on deemed disposal of business (raw cable), management service fee income from SunFair Industrial, gain on disposal of financial assets at fair value through profit or loss and fair value loss and gain on financial assets at fair value through profit or loss. The following table sets forth the analysis of other net gains and losses of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010:

	For the year ended 31 March		For the nine months ended 31 December	
	2009	2010	2009	2010
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Foreign exchange gain/(loss), net	21	(243)	(104)	(253)
Gain on settlement of foreign exchange forward contracts	67	79	–	–
Gain on disposal of financial assets at fair value through profit or loss	–	20	20	–
Fair value gain on previously held interest in SunFair Industrial	–	–	–	5,521
Fair value (loss)/gain on financial assets at fair value through profit or loss	(201)	77	56	52
Gain on deemed disposal of the raw cable business	–	13,800	13,800	–
Management service fee income from SunFair Industrial	–	2,228	1,427	612
	(113)	15,961	15,199	5,932

The deemed disposal of the Raw Cable Business arose due to the incorporation of SunFair Industrial in May 2009 by Mr. Yeung and Mr. Li and the transfer of the Raw Cable Business to SunFair Industrial. It was the intended business strategy of the Group to co-develop SunFair Industrial with Mr. Li and develop SunFair Industrial as a corporate brand of the Group's raw cable business. Based on the independent business valuation of SunFair Industrial, which was estimated by the independent valuer, Ample Appraisal Limited, of HK$13.8 million as at 29 May 2009, a gain on deemed disposal of the raw cable business amounting to HK$13.8 million was recorded by the Group upon the setting up of SunFair Industrial.

The Group provides management services to SunFair Industrial in return for fee which is calculated based on certain expenses actually incurred by the Group. A management service fee income amounting to HK$2,228,000, HK$1,427,000 and HK$612,000 was recorded for the year ended 31 March 2010 and for the nine months ended 31 December 2009 and 2010 respectively. The Group has acquired 100% control of SunFair since 31 May 2010. Based on the independent business valuation of SunFair Industrial as at 31 May 2010, the Group recorded a fair value gain of HK$5,521,000 on the Group's 50% then interest in SunFair Industrial.

Selling expenses

Selling expenses comprise sales commission, advertising and promotion expenses and licensing fee. The sales commission was payable to the sales consultants of the Group for the introduction, referral and liaison of customers to the Group. The table below sets out the Group's selling expenses for the Track Record Period:

	For the year ended 31 March		**For the nine months ended 31 December**	
	2009	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Sales commission	7,879	3,095	2,374	2,613
Licensing fees, advertising and promotion expenses	807	939	818	972
Total	8,686	4,034	3,192	3,585

The selling expenses decreased from HK$8.7 million to HK$4.0 million mainly due to the decrease of sales commission payable to sales consultants. As a percentage to the Group's revenue, the selling expenses were 4.7%, 2.5%, 2.6% and 2.9% for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010. The Group negotiated a lower commission percentage for the year ended 31 March 2010. The licensing fees were mainly customs clearance related expenses and payments for registration of product certifications for power cords and inlet sockets.

Administrative expenses

Administrative expenses mainly include audit and other professional fees, staff costs, bank charges, depreciation, entertainment, motor vehicle expenses and impairment loss on goodwill. The table below sets out the Group's administrative expenses for the Track Record Period:

	For the year ended 31 March		For the nine months ended 31 December	
	2009	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Audit and other professional fees	1,849	823	551	1,034
Staff costs	2,804	14,994	14,502	2,438
Bad debts	221	–	–	–
Bank charges	454	175	106	141
Depreciation	925	850	630	826
Entertainment	327	306	202	450
Motor vehicle expenses	337	115	282	230
Impairment loss on goodwill	–	–	–	3,244
Others	1,269	990	444	1,494
	8,186	18,253	16,717	9,857

Administrative expenses increased from HK$8.2 million for the year ended 31 March 2009 to HK$18.3 million for the year ended 31 March 2010. For the nine months ended 31 December 2009 and 2010, the administrative expenses amounted to HK$16.7 million and HK$9.9 million respectively. As a percentage to the Group's revenue, the administrative expenses were 4.4%, 11.4%, 13.8% and 7.8% for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010 respectively. Staff costs for the year ended 31 March 2010 and for the nine months ended 31 December 2009 mainly comprised employee benefits of HK$13,800,000, being the compensation to Mr. Li and Mr. Yeung for their contribution to the Group which is equal to the fair value of SunFair Industrial as at 29 May 2009 (the date on which SunFair Industrial was established). The Group has disposed of the raw cable business to SunFair Industrial, a company which equally owned by Mr. Yeung and Mr. Li. Discounting the employee benefits of HK$13,800,000, the administrative expenses decreased by HK$3,733,000 as a result of i) decrease in staff costs due to the departure of Mr. Yau; ii) decrease in professional fees as the Group did not outsource the accounting and tax compliance functions during 31 March 2010 and iii) decrease in bad debt expenses.

During the nine months ended 31 December 2010, the carrying value of the goodwill has been reduced to its recoverable amount through recognition of an impairment loss against goodwill of HK$3.2 million. The impairment charge is resulted from the Group's payment of a consideration over the fair value of the raw cable business to Mr. Li. This loss has been included in the administrative expenses in the combined statement of comprehensive income.

Other than the impairment loss on goodwill and the employee benefit of HK$13.8 million mentioned above, the increase of administrative expenses for the nine months ended 31 December 2010 was mainly due to the increase in staff costs as a result of increase in headcount and average salary and increase in professional fees.

Finance income and finance cost

The finance income of the Group comprises mainly interest income generated from short-term bank deposits. The finance costs consist primarily of bank loan interest, trust receipt interest and hire purchase interest.

For the years ended 31 March 2009 and 2010 and nine months ended 31 December 2009 and 2010, the net finance costs were HK$1,015,000, HK$739,000, HK$581,000 and HK$567,000, respectively.

Tax

Tax represents amounts of income tax provided by the Group, at the applicable tax rates in accordance with the relevant law and regulations in Hong Kong and the PRC. The Group had no other tax payable in other jurisdictions during the Track Record Period. The income tax for the Group were HK$1,071,000, HK$4,520,000, HK$3,605,000 and HK$2,138,000 for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010, respectively. SunFair SZ, the Group's subsidiary which operates in the PRC, was eligible for a 50% reduction in corporate income tax rate during the Track Record Period. The PRC corporate income tax is provided at the rate of 10%, 11% and 12%, respectively during the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010. The PRC tax benefit has expired on 31 December 2010.

The increase in effective tax rate for the year ended 31 March 2010 as compared to the year ended 31 March 2010 is primarily due to utilisation of tax loss during the year ended 31 March 2009. The decrease in effective tax rate for the nine months ended 31 December 2010 is primarily due to the fair value gain on previously held interest recorded in the nine months ended 31 December 2010 being not subject to tax.

Dividends

SunFair HK declared and paid an interim dividend in the sum of HK$10 million for the nine months ended 31 December 2010.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine months ended 31 December 2010 compared to nine months ended 31 December 2009

Revenue

The Group's revenue increased slightly by 4.2% from HK$120.8 million for the nine months ended 31 December 2009 to HK$125.9 million for the nine months ended 31 December 2010, primarily due to increase in the sales of power and data cords for mobile handsets. Sales of power and data cord products for mobile handsets increased by 45.4% from HK$46.9 million for the nine months ended 31 December 2009 to HK$68.2 million for the nine months ended 31 December 2010. Such increase was primarily due to the increase in sales volume from 31.6 million units for the nine months ended 31 December 2009 to 44.1 million units for the nine months ended 31 December 2010 as a result of the change in the Group's strategy to concentrate on integrated product with connectors rather than selling 2-pin raw cables and increase in average unit selling price for the nine months ended 31 December 2010 as a result of the relatively higher selling price of micro-USB cables compared to the general power and date cords for mobile handsets. Sales of micro-USB cables were amounted to HK$[12.7] million for the nine months ended 31 December 2010. Sales of medical control devices increased by 14.9% from HK$12.2 million for the nine months ended 31 December 2009 to HK$14.0 million for the nine months ended 31 December 2010. Such increase was primarily due to increase in sales volume from 0.4 million unit for the nine months ended 31 December 2009 to 0.5 million unit for the nine months ended 31 December 2010. Sales of power cords and inlet sockets for household electric appliances increased by 7.5% from HK$30.5 million for the nine months ended 31 December 2009 to HK$32.8 million for the nine months ended 31 December 2010. Such increase was primarily due to the increase in average unit selling price as a result of the transfer of cost increment to customers, which was partially offset by the decrease in sales volume from 14.0 million units for the nine months ended 31 December 2009 to 11.9 million units for the nine months ended 31 December 2010. Sales of raw cables decreased by 63.7% from HK$25.9 million for the nine months ended 31 December 2009 to HK$9.4 million for the nine months ended 31 December 2010 mainly due to the Group's strategy to concentrate on integrated products with connectors rather than selling 2-pin raw cables resulting a decrease in sales of raw cables from 35.5 million metres for the nine months ended 31 December 2009 to 23.0 million metres and the decrease in sales of cables with connectors to SunFair Industrial for the nine months ended 31 December 2010.

Cost of sales

Cost of sales increased from HK$94.3 million for the nine months ended 31 December 2009 to HK$99.4 million for the nine months ended 31 December 2010. The cost of raw material consumed remained stable for the nine months ended 31 December 2009 and 31 December 2010. Increase in the cost of direct labour from HK$10.7 million for the nine months ended 31 December 2009 to HK$13.8 million for the nine months ended 31 December 2010 as a result of an increase in number of workers for manufacturing and an increase in average wages. Increase in subcontracting charges from HK$2.9 million for the nine months ended 31 December 2009 to HK$6.4 million for the nine months ended 31 December 2010 as a result of the increase in subcontracting the manufacturing of certain power and data cord for mobile handsets to the subcontractor. Increase in the cost of electricity and water from HK$1.7 million for the nine months ended 31 December 2009 to HK$2.6 million for the nine months ended 31 December 2010 as a result of SunFair Industrial becoming a wholly-owned subsidiary of the Group, thus including its cost of electricity and water in the Group's cost of sales. The Group's cost of sales, as a percentage to its total revenue, were 78.1% and 78.9% for the nine months ended 31 December 2009 and 2010.

Gross profit and gross profit margin

The Group's gross profit increased by 0.3% from HK$26.4 million for the nine months ended 31 December 2009 to HK$26.5 million for the nine months ended 31 December 2010. The Group's gross profit margin slightly decreased from 21.9% for the nine months ended 31 December 2009 to 21.1% for the nine months ended 31 December 2010. The gross profit margin of power and data cord for mobile handsets and medical control devices increased from 16.6% for the nine months ended 31 December 2009 to 19.8% for the nine months ended 31 December 2010 was mainly due to the increase in profit margin of power and data cords for mobile handsets as a result of the increase in average unit selling price for power and data cords for mobile handsets as a result of the increasing market demand for micro-USB cables. The gross profit margin of power cord and inlet socket for household electric appliances increased from 22.2% for the nine months ended 31 December 2009 to 24.0% for the nine months ended 31 December 2010 because of the increase in average unit selling price for certain major household electric appliance power cord and inlet socket customers as a result of increase in average unit costs while the Group transferred such incremental costs to the customers. The gross profit margin of raw cable decreased from 34.2% for the nine months ended 31 December 2009 to 20.2% for the nine months ended 31 December 2010 because of the (i) increase of copper market price and (ii) the decreasing average unit selling price due to keen competition.

Other gains/(losses) – net

Net other gains of the Group for the nine months ended 31 December 2010 was approximately HK$5.9 million, compared to net other gains of the Group of HK$15.2 million for the nine months ended 31 December 2009. The decrease of net other gains of the Group for the nine months ended 31 December 2010 was mainly derived from the gain on disposal of the raw cable business amounting to HK$13,800,000 upon the setting up of SunFair Industrial, which was partially offset by the gain on fair value change of the previously held 50% equity interest in SunFair Industrial arising upon the Group's acquisition of the remaining 50% equity interest in SunFair Industrial from Mr. Li in May 2010. The fair value gain of approximately HK$5,521,000 for the nine months ended 31 December 2010 related to the re-measurement of the previously held equity interest of 50% in SunFair Industrial. This 50% interest was acquired from Mr. Yeung on 31 March 2010 at the consideration with reference to the fair value of the net assets of SunFair Industrial as at 31 March 2010 of approximately HK$1,189,000, which is different from the independent valuer's business valuation of SunFair Industrial as the fair value of net assets of SunFair Industrial does not take into account the value of the business as a whole (e.g. it does not take into account the business potential of the raw cable business).

Selling expenses

The selling expenses of the Group increased by 12.3% from HK$3,192,000 for the nine months ended 31 December 2009 to HK$3,585,000 for the nine months ended 31 December 2010. The increase in selling expenses primarily reflected in increased commission expenses payable to sales consultants from HK$2,374,000 for the nine months ended 31 December 2009 to HK$2,613,000 for the nine months ended 31 December 2010 as a result of the increase of receipts of sales proceeds of power and data cords for mobile handsets.

Administrative expenses

The administrative expenses of the Group decreased significantly from HK$16,717,000 for the nine months ended 31 December 2009 to HK$9,857,000 for the nine months ended 31 December 2010. The decrease primarily reflected the one-off recognition of employee benefits to Mr. Li and Mr. Yeung of HK$13,800,000 being the compensation for their past contributions to the Group in the form of the transfer of 50% interests in the raw cable business to each of Mr. Li and Mr. Yeung, which was partially offset by the recognition of an impairment loss on goodwill of HK$3,244,000 for the nine months ended 31 December 2010 in relation to the acquisition of 50% equity interest in SunFair Industrial and increase in staff costs and professional fee.

Finance income and Finance cost

The net finance cost of the Group decreased from HK$581,000 for the nine months ended 31 December 2009 to HK$567,000 for the nine months ended 31 December 2010, primarily due to a decrease in interests on bank borrowings.

Income tax

The Group recorded an income tax charge of HK$2,138,000 for the nine months ended 31 December 2010, a decrease from HK$3,605,000 for the nine months ended 31 December 2009. The income tax charge decreased due to the decrease in profit before tax during the nine months ended 31 December 2010.

Profit and total comprehensive income

As a result of the foregoing, the Group's net profit decreased from HK$17.5 million for the nine months ended 31 December 2009 to HK$16.4 million for the nine months ended 31 December 2010. The Group's net profit margin decreased from 14.5% for the nine months ended 31 December 2009 to 13.0% for the nine months ended 31 December 2010 primarily due to the increase of direct labour cost and the increase of subcontracting fee.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2010 compared to year ended 31 March 2009

Revenue

The Group's revenue decreased by 13.2% from HK$184.4 million for the year ended 31 March 2009 to HK$160.0 million for the year ended 31 March 2010, primarily reflecting decrease in volume of sales of raw cables and a general decrease in average unit selling prices of the Group's products resulting from the decrease in copper price and lower copper usage of the Group's products. Sales of power and data cord products for mobile handsets increased by 19.5% from HK$53.4 million for the year ended 31 March 2009 to HK$63.8 million for the year ended 31 March 2010. The increase of the sales primarily due to the increase in sales volume from 36.6 million units for the year ended 31 March 2009 to 45.5 million units for the year ended 31 March 2010 as a result of change in the Group strategy to concentrate on integrated products with connectors rather than selling 2-pin raw cables, which was partly offset by a slight decrease in average unit selling price. Sales of medical control devices increased for the year ended 31 March 2010 due to the increase in sales volume from 0.6 million units for the year ended 31 March 2009 to 0.7 million units for the year ended 31 March 2010 as a result of the increase of the sales volume of components during the year. Sales of power cords and inlet sockets for household appliances decreased by 12.3% from HK$50.1 million for the year ended 31 March 2009 to HK$43.9 million for the year ended 31 March 2010, which was mainly attributable to the lower average selling price as a result of (i) shortening of average length of these products as a result of the change in product specification; and (ii) lower cost of raw cables as a result of the drop in market price of copper, which was partially offset by an increase in sales volume from 15.8 million units for the year ended 31 March 2009 to 18.6 million units for the year ended 31 March 2010. Sales of raw cable products decreased by 49% from HK$57.2 million for the year ended 31 March 2009 to HK$29.2 million for the year ended 31 March 2010 primarily reflected the Group's strategy to concentrate on integrated products with connectors rather than selling 2-pin raw cables resulting a decrease in sales of raw cables from 151.5 million metres for the year ended 31 March 2009 to 41.8 million metres for the year ended 31 March 2010, which was partically offset by the sales of inventories to SunFair Industrial for the year ended 31 March 2010.

Cost of sales

The cost of sales decreased by 21.5% from HK$158.4 million for the year ended 31 March 2009 to HK$124.4 million for the year ended 31 March 2010. The decrease primarily reflected the decrease of copper wire and plastic powders consumed by the Group from HK$37.4 million and HK$22.6 million for the year ended 31 March 2009 to HK$3.0 million and HK$7.9 million for the year ended 31 March 2010 respectively, due to (i) the setting up of SunFair Industrial since May 2009; and (ii) the decrease in copper usage as a result of the substantial drop in sales volume of raw cables from 151.5 million metres for the year ended 31 March 2009 to 41.8 million metres for the year ended 31 March 2010. As a percentage of revenue, the cost of sales decreased from 85.9% for the year ended 31 March 2009 to 77.8% for the year ended 31 March 2010. The cost of raw material consumed as percentage of cost of sales increased from 76.2% for the year ended 31 March 2009 to 77.6% for the year ended 31 March 2010. The subcontracting cost decreased by 17.8% from HK$6.0 million for the year ended 31 March 2009 to HK$[4.9] million for the year ended 31 March 2010, and increased as a percentage of cost of sales from [3.8]% for the year ended 31 March 2009 to [3.9]% for the year ended 31 March 2010. Labour cost as a percentage of cost of sales increased from 9.9% for the year ended 31 March 2009 to 11.1% for the year ended 31 March 2010.

Gross profit and gross profit margin

Gross profit increased by 36.9% from HK$26.0 million for the year ended 31 March 2009 to HK$35.6 million for the year ended 31 March 2010, primarily reflecting the decrease in raw material costs and certain factory overhead costs, such as subcontracting charges and electricity and water since SunFair Industrial reimbursed the Group all directly incurred utilities expenses during its operation. The gross profit of the Group of power cord and inlet socket for household electric appliances increased by 14% from HK$8.1 million for the year ended 31 March 2009 to HK$9.2 million for the year ended 31 March 2010 was mainly due to the decrease in purchase price of bare cables as a result of: (i) shortening of the average length of the power cord products from 2.06 metres for the year ended 31 March 2009 to 1.69 metres for the year ended 31 March 2010; (ii) drop in average unit cost of bare cables as a result of the decrease in average market price of copper; and (iii) improvement in production efficiency resulted from the economies of scale. The gross profit from power and data cord products for mobile handsets and medical control devices increased by 245% from HK$4.8 million for the year ended 31 March 2009 to HK$16.6 million for the year ended 31 March 2010 was mainly due to (i) the decrease of the per unit subcontracting cost; (ii) decrease in direct labour cost; and (iii) the improvement in production efficiency resulted from economies of scale. The gross profit of raw cables decreased by 32% from HK$12.6 million for the year ended 31 March 2009 to HK$8.6 million for the year ended 31 March 2010 mainly due to the significant drop in sales volume of raw cables. However, the profit margin improves from 22.0% for the year ended 31 March 2009 to 29.4% for the year ended 31 March 2010 was contributed by the change in customer mix and the decrease of raw materials consumed by the Group owing to the setting up of SunFair Industrial since May 2009 and the decrease in sales volume of raw cables from 151.5 million metres for the year ended 31 March 2009 to 41.8 million metres for the year ended 31 March 2010 as copper wires accounted for a significant portion of the cost of raw materials consumed for the manufacturing of raw cables. The overall gross profit margin increased from 14.1% for the year ended 31 March 2009 to 22.2% for the year ended 31 March 2010, primarily reflecting the improved gross profit margins of power and data cord products for mobile handsets and medical control devices.

Other gains/(losses) – net

Net other gains for the year ended 31 March 2010 was HK$15,961,000, compared to a net other losses of HK$113,000 for the year ended 31 March 2009. The net other gains for the year ended 31 March 2010 was mainly derived from the gain on deemed disposal of the raw cable business amounting to HK$13,800,000 upon the setting up of SunFair Industrial during the year.

Selling expenses

The selling expenses of the Group decreased by 53.6% from HK$8,686,000 for the year ended 31 March 2009 to HK$4,034,000 for the year ended 31 March 2010. The decrease in selling expenses primarily reflected decreased commission expenses, which decreased by approximately HK$4,784,000 for the year ended 31 March 2010 as a result of a lower commission percentage for the year ended 31 March 2010.

Administrative expenses

The administrative expenses increased significantly from HK$8,186,000 for the year ended 31 March 2009 to HK$18,253,000 for the year ended 31 March 2010. The increase primarily reflected the recognition of employee benefits to Mr. Li and Mr. Yeung of HK$13,800,000 being the compensation for their past contribution to the Group in the form of the transfer of 50% interests each in the raw cable business to Mr. Li and Mr. Yeung respectively. Discounting the employee benefits of HK$13,800,000, the administrative expenses decreased by HK$3,733,000 as a result of i) decrease in staff costs due to the departure of Mr. Yau; decrease in professional fees as the Group did not outsource the accounting and tax compliance functions during the year ended 31 March 2010; and iii) decrease in bad debt expenses.

Finance income and finance cost

The net finance costs of the Group decreased from HK$1,015,000 for the year ended 31 March 2009 to HK$739,000 for the year ended 31 March 2010, primarily due to a significant decrease in interests on bank borrowings.

Income tax

The Group recorded an income tax charge of HK$4,520,000 for the year ended 31 March 2010, an increase from HK$1,071,000 for the year ended 31 March 2009. No Hong Kong profit tax has been provided during the year ended 31 March 2009 because the subsidiary incorporated in Hong Kong does not have any assessable profit. The income tax charge increased due to the increase in profit before tax during the year ended 31 March 2010.

Profit and total comprehensive income

As a result of the foregoing, the Group's profit increased from HK$6.9 million for the year ended 31 March 2009 to HK$24.0 million for the year ended 31 March 2010. The Group's net profit margin increased from 3.8% for the year ended 31 March 2009 to 15.0% for the year ended 31 March 2010, primarily reflecting effective cost saving on raw material consumption.

LIQUIDITY AND CAPITAL RESOURCES

The primary uses of cash of the Group are to satisfy its working capital and capital expenditure needs. Since the establishment of the Group, its working capital needs and capital expenditure requirements have been financed through a combination of shareholders' equity, cash generated from operations, shareholders' loan and bank borrowings. The following table is a condensed summary of the Group's statements of cash flows for the periods indicated:

	For the year ended 31 March		For the nine months ended 31 December	
	2009	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net cash generated from operating activities	8,262	27,623	16,138	19,424
Net cash used in investing activities	(3,681)	(6,424)	(878)	(8,769)
Net cash used in from financing activities	(9,586)	(10,780)	(519)	(13,230)
Net (decrease)/increase in cash and cash equivalents	(5,005)	10,419	14,741	(2,575)
Cash and cash equivalents at beginning of year/period	6,703	1,698	1,698	12,117
Cash and cash equivalents at the end of the year/period	1,698	12,117	16,439	9,542

Cash generated from operating activities

The Group derives its cash flows from operating activities principally from the receipt of payments for the sale of the power and data cord products. The cash used in operating activities is mainly used to pay for costs and expenses relating to operating activities.

The net cash from operating activities was approximately HK$8,262,000 for the year ended 31 March 2009, while the operating cash flow before working capital changes was HK$13,019,000. The cash outflow as a result of working capital changes of HK$4,757,000 mainly reflected the following: an increase of HK$3,166,000, HK$3,085,000 and HK$7,896,000 in inventories, amounts due from related companies and amounts due from the Directors respectively, offset by an increase in trade and other payables of HK$14,501,000, a decrease in financial assets at fair value through profit or loss of HK$1,860,000 and decrease in trade and other receivables of HK$2,543,000.

The net cash of the Group from operating activities was approximately HK$27,623,000 for the year ended 31 March 2010, while the operating cash flow of the Group before working capital changes was HK$32,607,000. The cash outflow as a result of working capital changes of HK$4,984,000 mainly reflected the following: an increase of HK$896,000 and HK$6,944,000 in inventories and trade and other payables, offset by a decrease of HK$10,308,000, and HK$3,304,000 in trade and other receivables and amounts due from the Directors respectively.

The net cash from operating activities was approximately HK$19,424,000 for the nine months ended 31 December 2010, while the operating cashflow before working capital changes was HK$20,178,000. The cash outflow as a result of working capital changes of HK$754,000 mainly reflected an increase in inventories of HK$6,043,000, a decrease in trade and other payables of HK$2,865,000 and increase in amounts due to directors of HK$2,590,000, offset by an increase in trade and other receivables of HK$10,832,000 and income tax paid of HK$1,420,000.

Cash used in investing activities

The cash used in investing activities mainly consists of purchases of leasehold and land use rights, property, plant and equipment, acquisitions of a jointly controlled entity, and increase of pledged deposits. The cash inflow from investing activities mainly represents proceeds from sales of financial assets and disposal of property, plant and equipment.

For the year ended 31 March 2009, the net cash used in investing activities amounted to HK$3,681,000. The net cash outflow was mainly due to (i) HK$3,280,000 for the purchase of property, plant and equipment related to the production facilities, and (ii) HK$1,023,000 being used in the increase of pledged deposit for the trade facilities and partially offset by the proceeds of HK$520,000 from the disposal of property, plant and equipment to the production facilities.

For the year ended 31 March 2010, the net cash used in investing activities amounted to HK$6,424,000. The net cash outflow was mainly due to (i) HK$2,788,000 being used in the purchase of property, plant and equipment related to the production facilities, and (ii) HK$3,660,000 being used in purchase of leasehold land and land use rights.

For the nine months ended 31 December 2010, the net cash used in investing activities amounted to HK$8,769,000. The net cash outflow was mainly due to (i) HK$3,979,000 being used in the purchase of property, plant and equipment related to the production facilities and (ii) HK$4,931,000 being used in acquisition of SunFair Industrial, offset by the proceeds of HK$110,000 from disposal of property, plant and equipment.

Cash used in financing activities

The cash inflow from financing activities mainly consisted of proceeds from new bank borrowings whilst the cash used in financing activities consists of repayment of bank borrowings.

For the year ended 31 March 2009, the net cash used in financing activities amounted to HK$9,586,000. Such outflow was mainly due to HK$56,458,000 in proceeds from new bank borrowings. This was primarily offset by HK$64,926,000 in the repayment of bank borrowings.

For the year ended 31 March 2010, the net cash used in financing activities amounted to HK$10,781,000. Such outflow was mainly due to the proceeds from new bank borrowings of HK$33,880,000. These were primarily offset by HK$22,755,000 in the repayment of bank borrowings and HK$21,162,000 in the repayment of outstanding amount due to a director.

For the nine months ended 31 December 2010, the net cash used in financing activities amounted to HK$13,230,000. Such outflow was mainly due to the proceeds from new bank borrowings of HK$20,633,000 and repayment of loan by a jointly controlled entity of HK$2,000,000. These were primarily offset by the repayment of bank borrowings of HK$25,254,000 and dividend payment of HK$10,000,000.

MAJOR FINANCIAL RATIOS

	As at and for the year ended 31 March		As at and for the nine months ended 31 December
	2009	2010	2010
Trade receivable turnover[1] (days)	67.1	94.6	94.2
Trade payable turnover[2] (days)	31.6	43.4	81.5
Inventory turnover[3] (days)	33.3	38.8	45.4
Gearing ratio[4] (times)	0.54	0.28	0.22
Current ratio[5] (times)	0.98	1.35	1.21
Return on equity[6] (%)	66.3	69.6	40.1

Notes:

1. The trade receivable turnover days is calculated based on the trade receivables as at year/period end divided by revenue during the year/period and multiplied by the number of days during the year/period.

2. The trade payable turnover days is calculated based on the trade payables as at year/period end divided by cost of sales during the year/period and multiplied by the number of days during the year/period.

3. Inventory turnover days is calculated based on the inventories as at year/period end divided by cost of sales during the year/period and multiplied by the number of days during the year/period.

4. Gearing ratio is calculated by dividing net debt by total shareholders' equity as at year/period end.

5. The current ratio is calculated by dividing total current assets by total current liabilities as at year/period end.

6. Return on equity equals the profit for the year/period divided by total equity as at year/period end.

TRADE AND OTHER RECEIVABLES ANALYSIS

The trade and other receivables of the Group as at 31 March 2009 and 2010 and 31 December 2010 were HK$34.4 million, HK$44.3 million and HK$51.5 million, respectively, accounting for approximately 60.3%, 58.8% and 63.4%, respectively, of the total current assets. The trade receivables were primarily related to the sale of the Group's products to the customers. The following table sets out (i) the breakdown of the trade and other receivables, (ii) the aging analysis of the trade receivables that are not considered to be impaired at the end of each of the reporting dates and (iii) the trade receivable turnover days:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables			
– third parties	33,890	36,238	43,114
– a jointly controlled entity	–	5,246	–
Prepayments, deposits and other receivables	530	2,794	8,403
	34,420	44,278	51,517
Aging analysis of trade receivables			
Neither past due nor impaired	24,433	29,055	27,759
0 – 30 days past due	7,907	10,634	12,647
31 – 60 days past due	1,085	1,685	2,352
61 – 90 days past due	393	–	353
91 – 120 days past due	72	110	3
Trade receivables	33,890	41,484	43,114

	For the year ended 31 March		For the nine months ended 31 December
	2009	**2010**	**2010**
Trade receivable turnover (days)	67.1	94.6	94.2

The trade receivables represent proceeds receivable from the sale of goods. The trading terms with the Group's customers are mainly on open account credit with settlement terms of 30 days to 90 days to customers, except for new customers where cash on delivery, payment in advance or letter of credit are normally required. The Group recorded provision for impairment of trade receivables of HK$221,000 for the year ended 31 March 2009. Save as the above, the Group had not record any provision for impairment of trade receivables during the Track Record Period.

The Group seeks to maintain strict control over outstanding receivables and to establish a credit control management system. The Group's accounting department reviews the receivable aging monthly and work with the responsible sales personnel to follow up with the overdue trade receivable balances. Trade receivables are free of interest.

The trade receivable balance increased from HK$33,890,000 as at 31 March 2009 to HK$41,484,000 as at 31 March 2010. The trade receivable turnover days increased from 67.1 days for the year ended 31 March 2009 to 94.6 days for the year ended 31 March 2010. It was mainly due to the settlement by the customers slightly exceeded credit period allowed by the Group.

The trade receivable balance increased from HK$41,484,000 as at 31 March 2010 to HK$43,114,000 as at 31 December 2010. The trade receivable turnover days remained stable for the nine months ended 31 December 2010.

As of 28 February 2011, approximately HK$28.3 million, or 59.3%, of the trade receivables outstanding as at 31 December 2010 were collected.

Prepayments as at 31 December 2010 primarily represented professional fees with respect to [●] and licensing fee.

TRADE AND OTHER PAYABLES ANALYSIS

The trade and other payables of the Group as at 31 March 2009 and 2010 and 31 December 2010 were HK$19.2 million, HK$26.1 million and HK$37.9 million respectively, accounting for approximately 32.9%, 46.7% and 56.3% respectively of the total current liabilities. The trade payables balances arose from the purchases of raw materials and components from the suppliers. The following table sets out (i) the breakdown of the trade and other payables, (ii) the aging analysis of the trade payables and (iii) the trade payable turnover days:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	13,692	14,795	29,436
Other payables	2,054	2,708	3,325
Deposits received	417	3,168	–
Accruals	3,038	5,474	5,133
	19,201	26,145	37,894
Aging analysis of trade payables			
Current	5,236	10,567	22,637
0 – 30 days	7,670	4,186	3,019
31 – 60 days	730	42	2,062
61 – 90 days	26	–	1,264
91 – 120 days	30	–	290
121 – 150 days	–	–	164
Total trade payables	13,692	14,795	29,436

	For the year ended 31 March		For the nine months ended 31 December
	2009	**2010**	**2010**
Trade payables turnover (days)	31.6	43.4	81.5

The trade payables represent the amount of the Group payable to suppliers for purchases of raw materials. The credit periods granted to suppliers ranging from 30 to 120 days from the date of issuance of invoices with respect to non-interest–bearing trade payables.

The Group generally settled purchases with the suppliers by cheque, direct bank transfer, bills and telegraphic transfer.

The trade payable balance slightly increased from HK$13.7 million as at 31 March 2009 to HK$14.8 million as at 31 March 2010. The increase in trade payable turnover days for the year ended 31 March 2009 of 31.6 days to 43.4 days for the year ended 31 March 2010 was mainly due to increase in percentage of purchase mode with suppliers of longer credit period. The trade payable balance increased from HK$14.8 million as at 31 March 2010 to HK$29.4 million as at 31 December 2010. The trade payable turnover days increased from 43.4 days for the year ended 31 March 2009 to 81.5 days for the nine months ended 31 December 2010 was primarily the result of consolidation of trade payables of SunFair Industrial and extension of credit terms by certain major suppliers due to good credibility of and business relationship with the Group.

As of 28 February 2011, approximately HK$18.3 million, or 62.1%, of the trade payables outstanding as at 31 December 2010 were paid.

INVENTORY ANALYSIS

The inventories of the Group comprise raw materials, work-in-progress and finished products. The raw materials, including copper wires, plastic powder and non-ferrous metal components for socket connectors, are stored in warehouses located at Baoan District in the PRC.

The following table is a summary of the Group's balance of inventories at each of the reporting date during the Track Record Period:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	5,887	5,373	7,635
Work-in-progress	5,069	4,322	4,465
Finished goods	4,088	4,453	5,676
Less: provision for obsolescence	(589)	(924)	(1,387)
Total	14,455	13,224	16,389

	For the year ended 31 March		For the nine months ended 31 December
	2009	**2010**	**2010**
Inventory turnover (days)	33.3	38.8	45.4

The inventories of the Group remained relatively stable with slight decrease from HK$14.5 million as at 31 March 2009 to HK$13.2 million as at 31 March 2010. The value of its inventories accounted for approximately 25.3%, 17.6% and 20.1% of its total current assets as at 31 March 2009 and 2010 and 31 December 2010, respectively. The provision for obsolescence of inventories slightly increased from HK$589,000 as at 31 March 2009 to HK$924,000 as at 31 March 2010, primarily due to provision of inventories aged over 365 days.

The inventory balance increased by approximately HK$3.2 million from approximately HK$13.2 million as of 31 March 2010 to HK$16.4 million as of 31 December 2010. The inventory turnover days increased slightly from 33.3 days for the year ended 31 March 2009 to 38.8 days for the year ended 31 March 2010. For the nine months ended 31 December 2010, the inventory turnover days increased from [38.8] days to 45.4 days. It is primarily due to the consolidation of SunFair Industrial since SunFair Industrial's inventory turnover days is in general relatively higher than the Group as a result of the longer production time.

As of 28 February 2011, approximately HK$12.9 million, or 72.6%, of the inventory outstanding as at 31 December 2010 were utilised.

GEARING RATIO

The gearing ratio of the Group decreased from 0.54 times as at 31 March 2009 to 0.28 times as at 31 March 2010 because of an increase in total equity as at 31 March 2010 resulted from the increase in net profit for the year ended 31 March 2010. As at 31 December 2010, the gearing ratio further decrease to 0.22 times from 0.28 times as at 31 March 2010. The decrease of gearing ratio is due to the decrease of bank borrowings of HK$4.2 million and the increase in equity of HK$6.4 million for the period as a result of the increase of retained earnings.

CURRENT RATIO

The current ratio of the Group increased from 0.98 times as at 31 March 2009 to 1.35 times as at 31 March 2010, mainly due to the increase of cash and cash equivalents and trade and other receivables. As at 31 December 2010, the current ratio of the Group decreased from 1.35 times to 1.21 times because of the significant increase of trade and other payables as a result of longer credit period granted by certain suppliers.

RETURN ON EQUITY

Return on equity increased from 66.3% for the year ended 31 March 2009 to 69.6% for the year ended 31 March 2010 due to the profit and total comprehensive income attributable to shareholder of the Company increase at a rate higher than the increase in equity attributable to shareholder as of 31 March 2009 to 31 March 2010. The profit and total comprehensive income attributable to shareholders of the Company increased by 246.1% from HK$6.9 million for the year ended 31 March 2009 to HK$24.0 million for the year ended 31 March 2010 due to (i) aggressive cost control policy by the Group and (ii) decrease in cost of raw materials, while equity attributable to shareholders of the Company increased by 229.4% from HK$10.5 million as at 31 March 2009 to HK$34.5 million as at 31 March 2010 resulting from increase of retained earnings.

The return on equity of the Group was 40.1% as of 31 December 2010. Equity attributable to Shareholder of the Company increased by 18.3% from HK$34.5 million to HK$40.8 million as of 31 December 2010, mainly due to the total comprehensive income for the period, which was offset by the declaration of dividend.

NET CURRENT ASSETS

Details to the current assets and liabilities of the Group as at the end of the respective reporting periods are as follows:

	As at 31 March		As at	
	2009	2010	31 December 2010	28 February 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Current assets				
Inventories	14,455	13,224	16,389	15,735
Trade and other receivables	34,420	44,278	51,517	44,321
Amount due from a related company	–	7	7	7
Amount due from directors	106	211	326	557
Loan to a jointly controlled entity	–	2,000	–	–
Financial assets at fair value through profit or loss	1,659	960	1,012	1,014
Pledged deposits	2,534	2,513	2,523	2,524
Cash at bank	3,907	12,117	9,543	5,889
	57,081	75,310	81,317	70,047
Current liabilities				
Trade and other payables	19,201	26,145	37,894	31,023
Income tax payable	1,006	3,966	5,075	5,055
Amount due to a related company	17,842	–	–	–
Amount due to directors	3,869	538	3,256	–
Borrowings	16,402	25,319	21,117	19,608
	58,320	55,968	67,342	55,686
Net current (liabilities)/assets	(1,239)	19,342	13,975	14,361

The net current liabilities of the Group were HK$1.2 million as at 31 March 2009. The net current liabilities significantly improved and became net current assets of approximately HK$19.3 million as at 31 March 2010, which was mainly attributable to the increase of cash at bank due to increase in bank borrowings and the decrease of payable amount due to related company. The net current assets decreased as at 31 December 2010 to approximately HK$14.0 million, which was primarily due to the significant increase of trade and other payables as a result of the extension of credit terms by certain major suppliers.

The net current assets increased slightly to approximately HK$14.4 million as at 28 February 2011. The decrease in trade and other receivables partially offset by the decrease in trade and other payables as a result of the settlement of receivables and payables before the Chinese New Year.

The Directors confirm that there has been no material change in the net current assets of the Group since 28 February 2011 up to the Latest Practicable Date.

INDEBTEDNESS

The following table sets forth the indebtedness as at the end of each reporting period:

	As at 31 March		As at 31 December	As at 28 February
	2009	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hire-purchase loan	–	–	403	807
Bank overdrafts	2,209	–	–	–
Trust receipt bank loans	10,878	4,470	5,787	7,454
Factoring loan	1,157	7,523	4,263	1,282
Bank borrowings	2,158	13,326	10,664	10,065
Total borrowings	16,402	25,319	21,117	19,608

In order to acquire the entire interest of the joint controlled entity, SunFair Industrial, and pay for the amount due to the related company and the Directors, the Group relied on bank borrowings as at 31 March 2010 to fund a portion of its capital requirement. The total borrowings increased from HK$16.4 million as at 31 March 2009 to HK$25.3 million as at 31 March 2010. As such, the gearing ratio which is calculated by dividing net debt by total capital decreased from 0.54 times to 0.28 times. As at 31 December 2010, the gearing ratio decreased to 0.22 times from 0.28 times as at 31 March 2010. The decrease of gearing ratio was due to the decrease of bank borrowings and the increase in total equity as a result of the increase of retained earnings, which was offset by the declaration of dividend in the sum of HK$10 million by SunFair HK.

As of 28 February 2011, being the latest practicable date for the purpose of the indebtedness statement in this document, the Group had indebtedness of HK$19.6 million. Unutilised facilities of the Group as at 28 February 2011 amounted to HK$29.4 million. The Directors confirm that there was no material change in the Group's indebtedness since 28 February 2011.

As at 28 February 2011, the Group did not have any material contingent liabilities, guarantees or any litigation or claims of material importance pending or threatened against any members of the Group. The Directors have confirmed that there has not been any material change in the contingent liabilities of the Group since 28 February 2011.

There are no materials covenants relating to the outstanding debt of the Group that would restrict its ability to raise additional capital through debt or equity financing.

CAPITAL COMMITMENTS

Capital expenditure contracted for but not yet incurred as at the year/period end dates during the Track Record Period is as follows:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HK$	*HK$*	*HK$*
Property, plant and equipment	–	27,500	–

OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases in respect of the factory are payable as follows:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
No later than 1 year	1,704	648	1,936
Later than 1 year and no later than 5 years	648	–	5,340
	2,352	648	7,276

Operating lease payments represent rentals payable by the Group for its production plant and office. The leases are generally negotiated for terms ranging from one to six years.

WORKING CAPITAL

The Directors believe that after taking into account the financial resources available to the Group, including the available credit facilities and internally generated funds, and the estimated net proceeds from [●], the Group has sufficient working capital for its present working capital requirements for at least the next 12 months from the date of this document.

DISCLAIMER

Save as aforesaid and apart from intra-group liabilities, the Group did not have any other outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as at 28 February 2011.

The Directors confirm that, up to the Latest Practicable Date, there have been no material changes in the indebtedness, capital commitments and contingent liabilities of the Group from 28 February 2011.

DISTRIBUTABLE RESERVES

The Company was incorporated on 25 June 2010. As at 31 December 2010, there was no reserve available for distribution to its equity holders.

DIVIDEND AND DIVIDEND POLICY

For the nine months ended 31 December 2010, SunFair HK declared and paid an interim dividend in the sum of HK$10 million.

The above dividend was fully settled as at the Latest Practicable Date. Save for the above, none of the members of the Group declared or paid any dividend during the Track Record Period. For the purpose of business development, the undistributed profits for the year ended 31 March 2011 will be retained and will not be distributed.

The Group currently do not have a fixed dividend policy. The recommendation for payment and amount of dividends is at the discretion of the Directors and will be dependent upon the Group's earnings, financial condition, cash requirements and availability, the provision of relevant law and such other factors as the Directors may from time to time consider being relevant.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2010, being the date on which the latest financial information of the Group was reported in the Accountant's Report set out in Appendix I to this document.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Liquidity risk

The Group's and the Company's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group and the Company have sufficient committed facilities to fund their operations.

Credit risk

The Group's credit risk is primarily attributable to deposits with banks, trade and other receivables, amounts due from a related company director and a jointly controlled entity, loan to a jointly controlled entity, investments and cash transactions entered into for risk management purposes. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

Interest rate risk

The Group's and the Company's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group and the Company have not hedged its cash flow interest rate risks.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in the Accountant's Report in Appendix I to this document, the Directors confirmed that these transactions were conducted on normal commercial terms and/or the Group's terms that are not less favourable than terms available from Independent Third Parties which are considered fair and reasonable and in the interest of the Shareholders as a whole.

BUSINESS OBJECTIVES AND STRATEGIES

The Group's objective is to establish itself as a leading manufacturer of power and data cords. To achieve such business objective, the Group intends to adopt the following strategies in the future:

1. Construction of new production plant and enhancement of production utilization

At present, the Group carries out its entire production in its production plant in Baoan district, Shenzhen with an annual production capacity of approximately [25.4] million units of power and data cords for mobile handset, 2.3 million units of medical control devices, 36.7 million units of power cords and inlet sockets for electric appliances and 221,760 kilometres of raw cables for the year ended 31 March 2010.

To cope with the Group's business development, the Group plans to utilize approximately HK$[●] million, representing approximately [●]% of the net proceeds from the [●] for the acquisition of land and the construction of a new production plant. The Directors believe that it is in the long-term interest of the Group to construct its own production plant. The Company has conducted preliminary assessments of different locations in Guangdong Province, in particular, Dongguan and Shenzhen, to identify suitable land for the construction of such plant. The Group will relocate certain or all of its production facilities to the new production plant upon completion of its construction. In addition, the Group plans to acquire automation facilities and equipment. It is expected that the construction of such new production plant will take approximately one year and will be completed in early 2013.

Apart from the plan of constructing a new production plant, the Group has leased a new production facility. On 5 November 2010, the Group entered into the pre-leasing agreement (the "**Pre-Leasing Agreement**") with Bao Xing, one of the top five suppliers of the Group which supplies copper wires to the Group. Pursuant to the Pre-Leasing Agreement, Bao Xing shall lease to the Group, by stages, a factory premises with GFA of approximately 12,000 sq.m., situated in Baoan District, Shenzhen, for industrial use for a term of 5 years. The monthly rental for such premses is RMB156,000. Bao Xing would be obliged to lease the whole factory premises to the Group within 18 months from the execution of the formal leasing agreement, if the Group so reguests. The Directors intend to complete the first stage of the relocation by the end of September 2011 subject to receipt of [certification of completion and examination (竣工驗收備案證明)] by Bao Xing from the relevant authorities in compliance with PRC laws and regulations. The Group has paid RMB100,000 as deposit which can be transferred as rental or as deposit for the signing of the formal leasing agreement. The PRC Legal Advisers have confirmed that the Pre-Leasing Agreement is legal, valid and enforceable under current PRC laws and regulations. In any event, the intended amounts to be applied from [●] as set out in the paragraphs headed "Implementation Plan" of this section will not be affected.

The Group has prepared a preliminary plan on the different stages of the process for relocating to the new production plant, including the equipment, machinery and items to be moved, and the time and costs involved at each stage, in order to minimise the potential impact of such relocation on its operations. It does not intend to relocate prior to [●] unless it is evicted or forced to do so by the relevant governmental authority. If the Group does not receive notice from the relevant government authority to relocate from its existing facilities, it intends to continue to lease the existing facilities upon the expiry of the related leases on 31 July 2013 and 31 May 2015, respectively. The Directors estimate the cost of relocating its operations from the existing buildings is approximately RMB5 million (equivalent to approximately HK$5.67 million) which is to be financed by internal resources of the Group. The entire relocation process is estimated to take approximately 75 Business Days. As at the Latest Practicable Date, the Group has not received any notice of removal from any governmental authority.

2. Development, manufacture and sale of new products

The Group will continue to devote itself to the development, manufacture and sale of new products so as to meet market demands and reinforce the Group's competitiveness. The proposed new products of the Group include the following:–

Products	Target	Customers Usage	Amount to be spent *HK$*
Micro-USB data cord.	Mobile handset providers	Transfer of mobile handset data	[●]
Mini-HDMI data cord.	Mobile handset and audiovisual providers	Transfer of audiovisual data	[●]
			[●]

As at the Latest Practicable Date, the Group had utilized certain of its existing internal resources to acquire a wire stranding machinery for copper wire stranding for mini-HDMI and micro-USB data cord products. The Directors plan to complete, the acquisition of additional equipment and the construction and installation of full production facilities for the manufacture of mini-HDMI and micro-USB data cords by March 2012.

Besides further developing the existing power and data cord products, the product development team of the Group will focus on improving the transmission speed and output quality (i.e. by reduction of the diameters of copper core wires and increase of the units of the stranded copper wires for mobile handsets and audiovisual products, respectively) of the micro-USB data cord and mini-HDMI data cord. The product development team will also be responsible for collecting up-to-date information on market trends and customers' preferences by participating in different trade fairs and exhibitions.

As at the Latest Practicable Date, the Group had commenced production of micro-USB data cords. In addition, the Group has passed the test given by Electronic Testing Center, a Taiwan official certification institution, and became a qualified micro-USB manufacturer on 3 August 2010.

By enhancing the product and development capability of the Group, the Directors believe the Group will be able to (i) provide frequent up-to-date product designs for its existing customers; (ii) reinforce and promote the loyalty of its existing customers; and

(iii) attract a new range of customers by providing the new products such as micro-USB data cord and mini-HDMI data cord. In order to meet with the future demand of the newly developed products, the Group proposes to acquire machinery and equipment for the manufacture of micro-USB data cords and mini-HDMI data cords.

3. Expansion in clientele and sales network

The Group plans to maintain relationship with its existing customers and expand its clientele and sales network. The estimated amount of sales and marketing related expenses for 2011 is approximately HK$[●] million, which will be financed by the Group's internal resources. The Group intends to expand its sales capability in relation to power and data cords for mobile handset products and the newly developed micro-USB and mini-HDMI data cord products. The Group plans to reinforce and promote to its existing customers and attract other renowned mobile handset providers by actively participating in industry trade fairs and exhibition. To cope with the development of micro-USB and mini-HDMI data cord products, the Group plans to participate in different audiovisual and electronic products exhibitions and trade fairs in both the PRC and Hong Kong. The Directors believe that such expansion in clientele and sales network would help to maximize the profitability of the Group and reduce the Group's reliance on its major customers.

IMPLEMENTATION PLAN

For the period from the Latest Practicable Date to 30 September 2011:

Corporate development and enhancing production capability

- SunFair SZ to apply for hi-tech enterprise qualifications
- Establish product development team in relation to mini-HDMI data cord
- Finalise location of new production facility
- Acquisition of machinery for mini-HDMI data cord and micro-USB data cord and copper wire stranding process for cable and wire products for installation in the new leased facilities

Product development

- Develop mini-HDMI data cord
- Obtain customers' approval on prototype of mini-HDMI data cord

Expansion of market coverage

- [Expansion of sales department for mobile handset related products]
- Development of other mobile handset brands

For the period from 1 October 2011 to 31 March 2012:

Corporate development and enhancing production capability	Product development	Expansion of market coverage
• Apply to local bureau for process layout and design of the new production facility	• Complete prototype development of mini-HDMI data cord	• Commence marketing and sales of mini-HDMI data cord and micro-USB cord
• Lease production premises from Bao Xing and relocate assembly function of medical control devices	• Submit the prototype of mini-HDMI data cord for compliance tests	• Participate in trade fairs and exhibitions in the PRC and Hong Kong
	• Develop micro-USB data cord with higher transmission speed	

For the period from 1 April 2012 to 30 September 2012:

Corporate development and enhancing production capability	Product development	Expansion of market coverage
• Commence construction of new production facility	• Complete prototype of mini-HDMI data cord for internet purpose	• Participate in trade fairs and exhibitions in the PRC and Hong Kong

For the period from 1 October 2012 to 31 March 2013:

Corporate development and enhancing production capability	**Product development**	**Expansion of market coverage**
• Relocate headquarters to new production facility • Relocate wire stranding machinery to new production facility • Install new wire extrusion machinery in new production facility • Commence trial production		• Commence establishment of domestic sales channel in the PRC

BASES AND ASSUMPTIONS

The business objectives set out by the Directors are based on the following principal assumptions:

- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate in the PRC, Hong Kong or any part of the world that will adversely affect the business of the Group;
- the Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the existing laws (whether in the PRC, Hong Kong or any part of the world), policies or industry or regulatory treatment relating to the Group, or in the political, economic or market conditions in which the Group operates;
- there will be no change in the funding requirement for each of the near term business objectives described in this document from the amount as estimated by the Directors;
- there will be no material change in the bases or rates of taxation applicable to the Group;
- there be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of the Group or cause substantial loss, damage or destruction to its property or facilities;

- the Group will be able to retain its key staff in the management and the professional teams;
- the Group will obtain equity and/or debt capital for its future growth when it is necessary;
- the Group will be able to continue its operation in substantially the same manner as it has been operating during the Track Record Period and the Group will also be able to carry out its development plans and contingency plans without material disruptions.
- there will be no change in the effectiveness of the licenses and permits obtained by the Group; and
- the Group will not be materially affected by the risk factors as set out in the section headed "Risk factors" in this document.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[DRAFT]

[●]

The Directors
Fairson Holdings Limited

Dear Sirs,

We report on the financial information of Fairson Holdings Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the combined statements of financial position as at 31 March 2009, 2010 and 31 December 2010, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to this document.

The Company was incorporated in the Cayman Islands on 25 June 2010 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 27 April 2011, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these competes are set out in Note 1.2 of Section II below.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2.1 of Section II below.

Directors' responsibility for the financial information

The directors of the Company are responsible for the preparation of the financial inforamtion that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 2.1 of Section II below, a true and fair view of the combined states of affairs of the Group as at 31 March 2009 and 2010 and 31 December 2010 and of the Group's combined results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the document which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 31 December 2009 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Notie 2.1 of Section II below and the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review 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 HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope that an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 2.1 of Section II below, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2009 and 2010 and 31 December 2010 and for each of the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010, presented on the basis set out in Note 2 of Section II below:

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 March		Nine months ended 31 December	
		2009	2010	2009	2010
		HKD	HKD	HKD (unaudited)	HKD
Revenue	5	184,407,073	160,012,275	120,755,896	125,905,803
Cost of sales	7	(158,398,879)	(124,416,854)	(94,311,200)	(99,370,585)
Gross profit		26,008,194	35,595,421	26,444,696	26,535,218
Other gains/(losses)– net	6	(113,635)	15,961,174	15,199,112	5,932,869
Selling expenses	7	(8,686,048)	(4,034,201)	(3,192,443)	(3,585,218)
Administrative expenses	7	(8,185,721)	(18,253,005)	(16,716,855)	(9,856,996)
Operating profit		9,022,790	29,269,389	21,734,510	19,025,873
Finance income	9	102,610	4,183	2,994	42,007
Finance costs	9	(1,117,781)	(743,590)	(583,750)	(609,257)
Share of profit of a jointly controlled entity	16	–	–	–	46,494
Profit before income tax		8,007,619	28,529,982	21,153,754	18,505,117
Income tax expense	10	(1,070,574)	(4,519,799)	(3,604,524)	(2,137,690)
Profit and total comprehensive income for the year/period		6,937,045	24,010,183	17,549,230	16,367,427
Earnings per share	13	N/A	N/A	N/A	N/A
Dividend	12	–	–	–	10,000,000

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 March 2009 HKD	As at 31 March 2010 HKD	As at 31 December 2010 HKD
ASSETS				
Non-current assets				
Property, plant and equipment	14	10,993,173	14,342,565	16,799,672
Goodwill	15	–	–	11,041,467
Interest in a jointly controlled entity	16	–	1,189,273	–
Other non-current asset		–	450,000	–
Deferred income tax assets	25	1,149,184	–	–
		12,142,357	15,981,838	27,841,139
Current assets				
Inventories	17	14,455,076	13,223,768	16,389,423
Trade and other receivables	18	34,420,440	44,278,428	51,517,016
Amount due from a related company	30	–	7,128	7,128
Amount due from directors	30	106,000	210,880	326,000
Loan to a jointly controlled entity	16 & 30	–	2,000,000	–
Financial assets at fair value through profit or loss	19	1,658,976	959,755	1,012,175
Pledged deposits	20	2,533,882	2,513,635	2,523,382
Cash and cash equivalents	20	3,907,024	12,116,666	9,542,413
		57,081,398	75,310,260	81,317,537
Total assets		69,223,755	91,292,098	109,158,676
EQUITY				
Capital and reserves attributable to the equity holder of the Company				
Issued equity	21	3,000,000	3,000,000	3,000,000
Reserves	22	7,464,473	31,474,656	37,842,083
Total equity		10,464,473	34,474,656	40,842,083

	Note	As at 31 March 2009 HKD	As at 31 March 2010 HKD	As at 31 December 2010 HKD
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	25	438,615	849,714	974,192
Current liabilities				
Trade and other payables	23	19,201,277	26,145,149	37,893,882
Income tax payable		1,006,401	3,965,917	5,075,738
Amount due to a related company	30	17,842,205	–	–
Amount due to a director	30	3,868,455	537,961	3,256,152
Borrowings	24	16,402,329	25,318,701	21,116,629
		58,320,667	55,967,728	67,342,401
Total liabilities		58,759,282	56,817,442	68,316,593
Total equity and liabilities		69,223,755	91,292,098	109,158,676
Net current (liabilities)/assets		(1,239,269)	19,342,532	13,975,136
Total assets less current liabilities		10,903,088	35,324,370	41,816,275

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HKD*	Statutory reserve *HKD*	Retained earnings *HKD*	Total *HKD*
Balance at 1 April 2008	3,000,000	472,757	54,671	3,527,428
Profit and total comprehensive income for the year	–	–	6,937,045	6,937,045
Transfer to statutory reserve *(note 22)*	–	27,243	(27,243)	–
Balance at 31 March 2009	3,000,000	500,000	6,964,473	10,464,473
Balance at 1 April 2009	3,000,000	500,000	6,964,473	10,464,473
Profit and total comprehensive income for the year	–	–	24,010,183	24,010,183
Transfer to statutory reserve *(note 22)*	–	851,983	(851,983)	–
Balance at 31 March 2010	3,000,000	1,351,983	30,122,673	34,474,656
Balance at 1 April 2010	3,000,000	1,351,983	30,122,673	34,474,656
Profit and total comprehensive income for the period	–	–	16,367,427	16,367,427
Dividend *(note 12)*	–	–	(10,000,000)	(10,000,000)
Transfer to statutory reserve *(note 22)*	–	720,512	(720,512)	–
Balance at 31 December 2010	3,000,000	2,072,495	35,769,588	40,842,083
(Unaudited)				
Balance at 1 April 2009	3,000,000	500,000	6,964,473	10,464,473
Profit and total comprehensive income for the period	–	–	17,549,230	17,549,230
Transfer to statutory reserve *(note 22)*	–	473,843	(473,843)	–
Balance at 31 December 2009	3,000,000	973,843	24,039,860	28,013,703

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March 2009 HKD	Year ended 31 March 2010 HKD	Nine months ended 31 December 2009 HKD (unaudited)	Nine months ended 31 December 2010 HKD
Cash flows from operating activities					
Cash generated from operations	26	8,261,951	27,623,186	16,137,896	20,844,113
Income tax paid		–	–	–	(1,419,685)
Net cash generated from operating activities		8,261,951	27,623,186	16,137,896	19,424,428
Cash flows from investing activities					
Purchase of property, plant and equipment		(3,280,407)	(2,788,278)	(880,060)	(3,979,306)
Purchase of leasehold land and land use rights		–	(3,660,000)	–	–
Proceeds from disposal of property, plant and equipment	26	520,000	–	–	110,000
(Increase)/decrease in pledged deposits		(1,022,950)	20,247	(1,241)	(9,747)
Net cash outflow for acquisition of a subsidiary	27	–	–	–	(4,931,306)
Interest received		102,610	4,183	2,994	42,007
Net cash used in investing activities		(3,680,747)	(6,423,848)	(878,307)	(8,768,352)
Cash flows from financing activities					
Proceeds from borrowings		56,457,909	33,880,365	20,209,063	20,632,608
Repayments of borrowings		(64,925,814)	(22,754,966)	(20,144,212)	(25,253,680)
Repayment of loan by a jointly controlled entity		–	–	–	2,000,000
Decrease in amount due to a director		–	(21,162,478)	–	–
Interest paid		(1,117,781)	(743,590)	(583,750)	(609,257)
Dividend paid	12	–	–	–	(10,000,000)
Net cash used in financing activities		(9,585,686)	(10,780,669)	(518,899)	(13,230,329)
Net (decrease)/increase in cash and cash equivalents		(5,004,482)	10,418,669	14,740,690	(2,574,253)
Cash and cash equivalents at the beginning of year/period	20	6,702,479	1,697,997	1,697,997	12,116,666
Cash and cash equivalents at the end of year/period	20	1,697,997	12,116,666	16,438,687	9,542,413

II. NOTES TO THE FINANCIAL INFORMATION

1 General information and reorganisation

1.1 General information

The Company was incorporated in the Cayman Islands on 25 June 2010 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands in preparation for [●]. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in manufacture and sales of power and data cords in Hong Kong and the People's Republic of China (the "PRC") (the "Power Cable and Electric Cord Business").

1.2 Reorganisation

Before completion of the Reorganisation (as defined below), the Power Cable and Electric Cord Business was carried out by Sun Fair Electric Wire & Cable (HK) Company Limited ("SunFair HK"), and its subsidiaries namely Sun Fair Electric Wire & Cable (Shenzhen) Company Limited ("SunFair SZ") and Logic Dynamic Limited ("Logic Dynamic") during the Relevant Periods. In preparation for [●], the Reorganisation was carried out to transfer the Power Cable and Electric Cord Business and its related assets to the Company by way of the following steps:

(i) Able One Investments Limited ("Able One") was incorporated in the British Virgin Islands on 9 March 2010 by Mr. Yeung Tin Hung, the ultimate shareholder of the Company who held 33.33% equity interest in SunFair HK prior to 23 March 2009 and then acquired the remaining 66.67% equity interest in SunFair HK on 23 March 2009 (the "Ultimate Shareholder"). On 30 March 2010, Able One acquired the entire issued share capital of SunFair HK from the Ultimate Shareholder which was satisfied by the issuance of two shares by Able One to the Ultimate Shareholder.

(ii) Joint Market Limited ("Joint Market") was incorporated in the British Virgin Islands on [16 March 2010] by SunFair HK. On 31 March 2010, Joint Market acquired the entire issued share capital of Logic Dynamic from Mr. Yeung Shing Wai, the son of the Ultimate Shareholder, at a consideration of HKD10,000 which was satisfied by cash. Mr. Yeung Shing Wai held the entire issued share capital in Logic Dynamic since its incorporation. Logic Dynamic is operated under a statute declared by the Ultimate Shareholder and Mr. Yeung Shing Wai whereas SunFair HK has the controlling power over Logic Dynamic and is able to obtain the economic benefits of Logic Dynamic, and the residual and ownership risks of Logic Dynamic have been passed.

(iii) Capital Convoy Limited ("Capital Convoy") was incorporated in the British Virgin Islands on 10 March 2010 by SunFair HK. On 31 March 2010, Capital Convoy acquired the issued share capital representing 50% equity interests in Sun Fair Electric Wire & Cable Industrial Co., Limited ("SunFair Industrial"), which is engaged in manufacturing and trading of raw cables in the PRC, from the Ultimate Shareholder at a consideration of HKD1,189,273 which was satisfied by cash (note 27).

(iv) On 25 June 2010, the Company was incorporated. On 27 April 2011, the Company acquired the entire issued share capital of Able One which was satisfied by the issuance of 34,999,999 shares by the Company to Fairson Holdings (BVI) Limited, a company owned by the Ultimate Shareholder, and the Company became the holding company of the companies now comprising the Group.

As at the date of this report, the Company has direct and indirect interest in the following subsidiaries:

Name	Country/ place of incorporation/ establishment and operation	Date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest		Principal activities	Note
					Directly held	Indirectly held		
Able One	The BVI	9 March 2010	Limited company	3 ordinary shares of USD1 each	100%	–	Investment holding	*(i)*
Capital Convoy	The BVI	10 March 2010	Limited company	1 ordinary share of USD1 each	–	100%	Investment holding	*(i)*
Joint Market	The BVI	16 March 2010	Limited company	1 ordinary share of USD1 each	–	100%	Investment holding	*(i)*
SunFair HK	Hong Kong	7 August 2007	Limited company	3,000,000 ordinary shares of HKD1 each	–	100%	Trading of power and data cords	*(ii)*
SunFair SZ	The PRC	19 December 2005	Limited company	HKD10,000,000	–	100%	Manufacturing of power and data cords	*(iii)*
Logic Dynamic.	Hong Kong	25 June 2009	Limited company	10,000 ordinary shares of HKD1 each	–	100%	Trading of power and data cords for medical control devices	*(iv)*
SunFair Industrial	Hong Kong	29 May 2009	Limited company	10,000 ordinary shares of HKD1 each	–	100%	Manufacturing and trading of raw cables in the PRC	*(v), note 16(a)*

Notes:

(i) No audited financial statements have been prepared as these companies are incorporated in jurisdictions which do not have any statutory audit requirements.

(ii) The statutory financial statements of this subsidiary for the period from 7 August 2007 (date of incorporation) to 31 March 2008 and for each of the years ended 31 March 2009 and 2010 were prepared in accordance with HKFRSs and audited by ANDA CPA Limited and PricewaterhouseCoopers respectively.

(iii) The statutory financial statements of this subsidiary for each of the years ended 31 December 2007 and 2008 were audited by 深圳市義達會計師事務所有限責任公司 (Shenzhen Yida Certified Public Accountants Co., Ltd.) and the statutory financial statements of this subsidiary for the year ended 31 December 2009 were audited by 深圳高鑒普通合夥會計師事務所 (Shenzhen Gaojian General Partnership Certified Public Accountants). All these audited financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC. The English names of these auditors represented the best effort by management of the Company in translating their Chinese names as they do not have official English names.

(iv) The statutory financial statements of this subsidiary for the period from 25 June 2009 (date of incorporation) to 31 March 2010 were prepared in accordance with HKFRSs and audited by PricewaterhouseCoopers.

(v) The statutory financial statements of this subsidiary for the period from 29 May 2009 (date of incorporation) to 31 March 2010 were prepared in accordance with HKFRSs and audited by PricewaterhouseCoopers.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the combined financial statements of the Company and its subsidiaries (the "Financial Information") are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

For the purposes of this report, the combined statements of financial position, combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of the Group for the Relevant Periods have been prepared using the existing book values of the income, expenses, assets and liabilities of SunFair HK and its subsidiaries (the "SunFair Group"), a group of entities within a legal structure during the Track Record Period and will become subsidiaries of the Company upon completion of the Reorganisation, which operate the Power Cable and Electric Cord Business throughout the Track Record Period. The financial information of SunFair Group is prepared in accordance with the accounting policies as set out in Note 2.2 below.

The Reorganization, which has not resulted in any changes in the substance of the Power Cable and Electric Cord Business, management or controlling shareholder before and after the Reorganisation, is accounted for using the accounting principle which is similar to that of a reverse acquisition and the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on combination.

The Financial Information set out in this report has been prepared in accordance with the HKFRSs under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 below.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the nine months ended 31 December 2010 and which the Group has not early adopted:

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Party Disclosures	1 April 2011
HKAS 32	Classification of rights issues	1 April 2011
HKFRS 9	Financial Instruments	1 April 2013
HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement	1 April 2011
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 April 2011
HKAS 12	Income Taxes (Amendments made by Deferred Tax: Recovery of Underlying Assets)	1 April 2012
HK(SIC)-Int 21	Income Taxes - Recovery of Revalued Now-Depreciated Assets	Withdrawn on 1 April 2012
Improvements to HKFRS – Amendments to:		
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards	1 April 2011
HKFRS 7	Financial Instruments: Disclosures	1 April 2011
HKAS 1	Presentation of Financial Statements	1 April 2011
HKAS 34	Interim Financial Reporting	1 April 2011
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 April 2011

The Group will apply these new standards and new interpretations in the period of initial application. It is not expected to have a significant impact on the Group's results of operations and its financial position.

2.2 Consolidation

The combined financial statements include the financial statements of the Company and all its subsidiaries made up to the respective year/period end dates during the Relevant Periods. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combination by the Group. The consideration for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity instruments issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of whom control is obtained, recognising the fair value changes in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit and loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the combined financial statements to ensure consistency with the policies adopted by the Group.

2.3 Jointly controlled entity

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

Investment in a jointly controlled entity is accounted for in the Financial Information under the equity method and are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the jointly controlled entity's net assets. The Group's investment in a jointly controlled entity includes goodwill identified on acquisition. The combined statement of comprehensive income includes the Group's share of post-acquisition, post-tax results of the jointly controlled entity for the Relevant Periods.

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net interest in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's executive directors that makes strategic decisions.

2.5 Foreign currency transaction

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in HK dollars (HKD), which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents, trade and other receivables and trade and other payables are presented in the combined statement of comprehensive income within 'Other gains/(losses) – net'.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. Translation differences arising on translation of non-monetary assets and liabilities, such as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss in the combined statement of comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated in the combined statement of financial position at cost less accumulated depreciation and impairment losses (see note 2.8). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the carrying amount of an item of property, plant and equipment or recognised as a separate item of property, plant and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance and overhaul costs, are recognised in the combined statement of comprehensive income as an expense in the period in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal within 'administrative expenses' in the combined statement of comprehensive income.

Depreciation on property, plant and equipment is calculated to write off the cost of items of property, plant and equipment using the straight line method to their residual values over their estimated useful lives as follows:

Leasehold land	Unexpired lease term
Buildings	Shorter of the unexpired term of land lease and 40 years
Moulding and equipment	5 years
Motor vehicles	4 years
Furniture and office equipment	4 years
Leasehold improvements	Shorter of 4 years and the term of lease

Leasehold land classified as finance lease is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the land interest. Depreciation commences from the land interest becomes available for its intended use, and is calculated using straight-line method to allocate the cost over the remaining lease terms of 30 to 40 years.

The property, plant and equipment's residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The property, plant and equipment's carrying amount is written down immediately to its recoverable amount if the property, plant and equipment's carrying amount is greater than its estimated recoverable amount (see note 2.8).

2.7 Goodwill

Goodwill is the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible asset'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2.8 Impairment of investment in subsidiaries, jointly controlled entity and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in the jointly controlled entity is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets, as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amounts due from directors', 'loan to a jointly controlled entity', 'pledged deposits' and 'cash and cash equivalents' in the combined statement of financial position (see notes 2.12 and 2.13).

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the combined statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the combined statement of comprehensive income within 'Other (losses)gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the combined statement of comprehensive income as part of 'administrative expenses' when the Group's right to receive payments is established.

2.10 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is an objective evidence of an impairment loss include:

– significant financial difficulty of the issuer or obligor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

– it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

– the disappearance of an active market for that financial asset because of financial difficulties; or

– observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within 'Borrowings' in current liabilities on the statement of financial position.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Income tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and a jointly controlled entity operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the year/period end dates during the Relevant Periods and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on interests in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Pension obligation

Hong Kong

The Group operates a defined contribution plan, the mandatory provident fund scheme ("MPF") in Hong Kong, the assets of which are generally held in separate trustee-administered funds.

The Group's contributions to the defined contribution plan are charged to profit or loss in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

The PRC

Pursuant to the relevant local regulations in the PRC, the PRC subsidiary of the Company participates in government retirement benefit schemes and is required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the PRC. The Group has no further obligation beyond the required contributions. The contributions under the schemes are expensed in the combined statement of comprehensive income as incurred.

(b) Bonus plan

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Other employee benefits

Salaries, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. The amount recognised as a liability and an expense should be measured at the cost of providing the benefits.

2.19 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods

Sale of goods is recognised when products have been delivered to the Group's customer. Delivery does not occur until the products have been transported to the specified location, the risks of obsolescence and loss have been transferred to the customer, regardless of whether the customer has accepted the products in accordance with the sales invoice, the acceptance provisions have lapsed, or the Group has an objective evidence that all criteria for acceptance have been satisfied.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividend is approved by the Company's shareholders.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to reduce certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the functional currency of the Company and its subsidiaries.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group and the Company enter into foreign exchange forward contracts with external financial institutions to mitigate such foreign exchange risks. The Group and the Company also mitigate this risk by maintaining Hong Kong dollar, United States dollar and Renminbi bank accounts to pay for the transactions denominated in these currencies.

As at 31 March 2009 and 2010 and 31 December 2010, if Hong Kong dollar had weakened/strengthened by 3.5% against Renminbi, with all other variables held constant, the Group's profit after tax for the year/period would have been decreased/increased by approximately HKD151,000, HKD223,000 and HKD187,000 respectively, mainly as a result of foreign exchange losses/gains on translation of Renminbi denominated monetary assets and liabilities.

(ii) Cash flow and fair value interest rate risk

Other than bank deposits with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

The Group's and the Company's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group and the Company have not hedged its cash flow interest rate risks. The interest rate and terms of repayments of borrowings are disclosed in Note 24.

As at 31 March 2009 and 2010 and 31 December 2010, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year/period would have been decreased/increased by approximately HKD137,000, HKD211,000 and HKD176,000 respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(iii) Price risk

The Group and the Company are exposed to equity securities price risk because of the investments held by the Group and classified on the combined statement of financial position as financial assets at fair value through profit or loss. The Group and the Company are not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, investment decisions are made in accordance with the limits set by the Group and the Company.

(b) Credit risk

The Group's credit risk is primarily attributable to deposits with banks, trade and other receivables, amounts due from a director and a jointly controlled entity, loan to a jointly controlled entity, investments and cash transactions entered into for risk management purposes. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

Trade receivables have a normal credit period ranging up to 90 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. The Group and the Company maintain a well-defined credit policy and individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue payable are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 18.

Amounts due from a director and a jointly controlled entity, loan to a jointly controlled entity, and other receivables are continuously monitored by assessing the credit quality of the counterparties, taking into account its financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts. As at 31 March 2009 and 2010 and 31 December 2010, the amounts due from a director and a jointly controlled entity, loan to a jointly controlled entity and other receivables are fully performing.

Investments and cash transactions are executed with financial institutions or investment counterparties with sound credit ratings and the Group does not expect any significant counterparty risk.

As at 31 March 2009 and 2010 and 31 December 2010, the Group had a concentration of credit risk given that the top 5 customers account for 85%, 74% and 89% respectively of the Group's total year/period end trade receivable balance. However, the Group and the Company do not believe that the credit risk in relation to these customers is significant because they have no history of default in recent years.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statement of financial position.

(c) Liquidity risk

The Group's and the Company's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group and the Company have sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities at the year/period end dates during the Relevant Periods of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year/period end dates during the Relevant Periods) and the earliest date the Group and the Company can be required to pay:

	Within 1 year or on demand *HKD*
Group	
At 31 March 2009	
Trade and other payables	19,201,277
Amount due to a related company	17,842,205
Amount due to a director	3,868,455
Borrowings	16,633,889
Total	57,545,826
At 31 March 2010	
Trade and other payables	26,145,149
Amount due to a director	537,961
Borrowings	25,913,385
Total	52,596,495
At 31 December 2010	
Trade and other payables	37,893,882
Amount due to a director	3,256,152
Borrowings	21,565,612
Total	62,715,646

As at 31 March 2009 and 2010 and 31 December 2010, the banks have unconditional right to demand repayment of the bank borrowings. However, management does not expect the banks to exercise their unconditional rights to demand repayment of the bank borrowings immediately since the Group has complied with all the conditions, undertakings and bank covenants of the banking facilities. Based on the expected repayment dates with reference to the schedule of repayments set out in the term loan agreements, the Group has summarised the expected maturities at the year/period ended during the Relevant Periods of the financial liabilities, which are based on undiscounted cash flows as follows:

	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total
	HKD	*HKD*	*HKD*	*HKD*	*HKD*
Group					
At 31 March 2009					
Trade and other payables	19,201,277	–	–	–	19,201,277
Amount due to a related company	17,842,205	–	–	–	17,842,205
Amount due to a director	3,868,455	–	–	–	3,868,455
Borrowings	14,905,160	287,955	863,863	678,351	16,735,329
Total	55,817,097	287,955	863,863	678,351	57,647,266
At 31 March 2010					
Trade and other payables	26,145,149	–	–	–	26,145,149
Amount due to a director	537,961	–	–	–	537,961
Borrowings	15,990,676	3,953,873	4,867,585	1,645,273	26,457,407
Total	42,673,786	3,953,873	4,867,585	1,645,273	53,140,517
At 31 December 2010					
Trade and other payables	37,893,882	–	–	–	37,893,882
Amount due to a director	3,256,152	–	–	–	3,256,152
Borrowings	14,342,444	3,295,147	3,015,072	1,390,744	22,043,407
Total	55,492,478	3,295,147	3,015,072	1,390,744	63,193,441

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This 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 combined statement of financial position) less cash and cash equivalents. Total capital is calculated as 'Equity' as shown in the combined statement of financial position plus net debt.

The Group's strategy, which was unchanged during the Relevant Periods, was to lower the gearing ratio to an acceptable level of less than 60%. The gearing ratios during the Relevant Periods were as follows:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HKD	*HKD*	*HKD*
Total borrowings *(note 24)*	16,402,329	25,318,701	21,116,629
Less: Cash and cash equivalents *(note 20)*	(3,907,024)	(12,116,666)	(9,542,413)
Net debt	12,495,305	13,202,035	11,574,216
Total equity	10,464,473	34,474,656	40,842,083
Total capital	22,959,778	47,676,691	52,416,299
Gearing ratio	54.4%	27.7%	22.1%

3.3 Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2009 and 2010 and 31 December 2010.

The financial instruments measured at fair value are disclosed by the following measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market, which primarily represented the investment funds, is determined partially by using valuation techniques using unobservable market data. The fair value measurement for such investment funds are included in level 3.

The following table presents the changes in level 3 instruments for the Relevant Periods:

	Investment funds at fair value through profit or loss *HKD*
At 1 April 2008	–
Additions	1,860,000
Losses recognised in combined statements of comprehensive income	(201,024)
At 31 March 2009	1,658,976
Disposals	(775,780)
Gains recognised in combined statements of comprehensive income	76,559
At 31 March 2010	959,755
Gains recognised in combined statements of comprehensive income	52,420
At 31 December 2010	1,012,175

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

(b) Impairment of property, plant and equipment

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may be not recoverable. The recoverable amounts have been determined based on fair value less costs to sell calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

(c) Impairment of inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowances, management identifies, using their judgement, inventories that are slow moving or obsolete, and considering their physical conditions, age, market conditions and market price for similar items.

(d) Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each statement of financial position date.

Significant judgement is exercised on the assessment of the collectability of trade receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(e) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on one to four-years financial budgets approved by management and estimated terminal value at the end of the one to four-years period. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions could affect these cash flow projections and therefore the results of the impairment reviews.

(f) Income tax

The Group is subject to current income tax in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provision in the period in which such determination is made.

In response to the recent change in the PRC transfer pricing requirement, the Group has conducted a transfer pricing study and made transfer pricing adjustments to re-allocate the profit of Group attributable to SunFair HK and SunFair SZ respectively in accordance with a transfer pricing benchmarking study with reference to Guo Shui Fa [2009] No. 2, such that the profits earned by each of SunFair HK and SunFair SZ are reasonable taking into account the value added by each of SunFair HK and SunFair SZ in the manufacturing process. These transfer pricing adjusting have implications on the applicable tax rules and regulations in Hong Kong and the PRC, and accordingly, current income tax provision has been made based on each of the subsidiaries' profit before tax after such transfer pricing adjustments. The director considers that sufficient tax provision has been made during the Relevant Periods.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 Segment information

The chief operating decision-maker ("CODM") has been identified collectively as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

Management regularly reviews the operating results from a product category perspective. The reportable operating segments derive their revenue 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 houshold electric appliances

– Power and data cords for mobile handset and medical control devices

– Raw cables

Management assesses the performance of the operating segments based on the measure of gross profits.

The sales from trading of plant and equipment and other cables are not included in the reportable operating segments as the information is not reviewed by the CODM. The turnover and results of these operations are included in the "all other segments' column.

The segment information provided to the CODM for the reportable segments for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010 is as follows:

	Power cords and inlet sockets for houshold electric appliances HKD	Power and data cords for mobile handset and medical control devices HKD	Raw cables HKD	All other segments HKD	Total HKD
For the year ended 31 March 2009					
Segment revenue	50,115,689	68,578,189	80,656,450	8,500,890	207,851,218
Inter-segment revenue	–	–	(23,444,145)	–	(23,444,145)
Revenue (from external customers)	50,115,689	68,578,189	57,212,305	8,500,890	184,407,073
Segment results	8,112,048	4,847,771	12,578,578	469,797	26,008,194
For the year ended 31 March 2010					
Segment revenue	43,934,122	81,094,797	35,298,923	5,779,496	166,107,338
Inter-segment revenue	–	–	(6,095,063)	–	(6,095,063)
Revenue (from external customers)	43,934,122	81,094,797	29,203,860	5,779,496	160,012,275
Segment results	9,248,911	16,577,291	8,582,395	1,186,824	35,595,421
For the nine months ended 31 December 2009 (unaudited)					
Segment revenue	30,471,911	59,128,025	32,041,302	5,209,721	126,850,959
Inter-segment revenue	–	–	[(6,095,063)]	–	(6,095,063)
Revenue (from external customers)	30,471,911	59,128,025	25,946,239	5,209,721	120,755,896
Segment results	6,765,006	9,833,450	8,866,715	979,525	26,444,696
For the nine months ended 31 December 2010					
Segment revenue	32,821,455	82,256,067	19,884,197	1,405,385	136,367,104
Inter-segment revenue	[–]	[–]	(10,461,301)	[–]	(10,461,301)
Revenue (from external customers)	32,821,455	82,256,067	9,422,896	1,405,385	125,905,803
Segment results	7,890,703	16,275,496	1,899,352	469,667	26,535,218

Sales between segments are carried out in accordance with the terms mutually agreed between the respective parties. The revenue from external parties reported to the Group's senior management is measured in a manner consistent with that in the combined statement of comprehensive income.

A reconciliation of segment results to profit before tax is provided as follows:

	Year ended 31 March		Nine months ended 31 December	
	2009	**2010**	**2009**	**2010**
	HKD	*HKD*	*HKD* (unaudited)	*HKD*
Segment results	26,008,194	35,595,421	26,444,696	[26,535,218]
Other (losses)/gains – net	(113,635)	15,961,174	15,199,112	[5,932,869]
Selling and administrative expenses	(16,871,769)	(22,287,206)	(19,909,298)	[(13,442,214)]
Operating profit	9,022,790	29,269,389	21,734,510	[19,025,873]
Finance costs – net	(1,015,171)	(739,407)	(580,756)	[(567,250)]
Share of profit of a jointly controlled entity	–	–	–	[46,494]
Profit before tax	8,007,619	28,529,982	21,153,754	[18,505,117]

The total revenue from external customers in the PRC and Hong Kong is HKD121,087,000 and HKD109,060,000 for the years ended 31 March 2009 and 2010, and HKD81,248,000 (unaudited) and HKD93,663,000 for the nine months ended 31 December 2009 and 2010. The total revenue from external customers in other countries is HKD63,320,000 and HKD50,952,000 for the years ended 31 March 2009 and 2010, and HKD39,508,000 (unaudited) and HKD32,243,000 for the nine months ended 31 December 2009 and 2010.

The total non-current assets other than deferred income tax assets located in Hong Kong are HKD1,796,154, HKD6,548,488 and HKD6,417,332 as at 31 March 2009, 31 March 2010 and 31 December 2010 respectively. The total non-current assets located in other countries are HKD9,197,019, HKD9,433,350 and HKD21,423,807 as at 31 March 2009, 31 March 2010 and 31 December 2010 respectively.

Details of the customers accounting for 10% or more of total revenue are as follows:

	Year ended 31 March		Nine months ended 31 December	
	2009	**2010**	**2009**	**2010**
	HKD	*HKD*	*HKD* (unaudited)	*HKD*
Customer A	15,470,924*	22,679,101	14,962,378	36,071,713
Customer B	66,218,248	38,265,758	28,828,460	19,303,106
Customer C	26,323,823	21,034,478	16,485,347	14,155,557
Customer D	15,529,208*	17,525,032	12,237,523	14,028,451
Customer E	–*	–*	–*	13,594,766

* Sales to these customers did not exceed 10% of total revenue in the respective years/periods. The amounts were shown for comparative purpose.

Breakdown of revenues from all activities is as follows:

	Year ended 31 March		Nine months ended 31 December	
	2009	**2010**	**2009**	**2010**
	HKD	*HKD*	*HKD* *(unaudited)*	*HKD*
Sales of power cables, electric cords and raw cables				
– third parties	175,906,183	141,556,589	104,440,301	122,136,573
– a related party *(note 30)*	–	12,676,190	11,105,874	2,363,845
Others	8,500,890	5,779,496	5,209,721	1,405,385
	184,407,073	160,012,275	120,755,896	125,905,803

6 Other (losses)/gains – net

	Year ended 31 March		Nine months ended 31 December	
	2009	**2010**	**2009**	**2010**
	HKD	*HKD*	*HKD* *(unaudited)*	*HKD*
Foreign exchange gain/(loss), net	21,029	(242,537)	(103,389)	(252,746)
Gain on settlement of foreign exchange forward contracts	66,360	78,992	–	–
Gain on disposal of financial assets at fair value through profit or loss	–	19,763	19,763	–
Fair value gain on previously held interest in a jointly controlled entity *(note 27)*	–	–	–	5,520,733
Fair value (loss)/gain on financial assets at fair value through profit or loss	(201,024)	76,559	55,935	52,420
Gain on deemed disposal of business *(note 8(a))*	–	13,800,000	13,800,000	–
Management service fee income from SunFair Industrial *(note 30)*	–	2,228,397	1,426,803	612,462
	(113,635)	15,961,174	15,199,112	5,932,869

7 Expenses by nature

	Year ended 31 March		Nine months ended 31 December	
	2009	2010	2009	2010
	HKD	*HKD*	*HKD* *(unaudited)*	*HKD*
Raw materials and consumables used	120,754,336	96,599,146	72,169,602	70,974,547
Changes in inventories of finished goods and work in progress	56,301	381,893	2,072,702	(1,365,848)
Subcontracting fee	5,961,479	4,901,469	2,930,434	6,438,893
Utilities	5,232,926	1,958,566	1,669,135	2,633,370
Operating lease payments in respect of factories	1,704,000	1,049,966	887,966	1,324,137
Sales commission	7,878,519	3,095,004	2,373,820	2,613,414
Licensing fee	770,552	891,569	797,343	971,804
Depreciation *(note 14)*	2,968,939	3,098,886	2,276,299	3,008,491
(Reversal of)/provision for obsolescence of inventories *(note 17)*	190,232	335,367	(193,296)	462,951
Provision for impairment on trade receivables *(note 18)*	220,958	–	–	–
Impairment on goodwill *(note 15)*	–	–	–	3,243,500
Employee benefit expense *(note 8)*	18,769,924	29,084,578	25,191,005	16,330,502
Auditors' remuneration	551,554	502,486	375,000	360,000
Loss on disposal of property, plant and equipment	415,458	–	–	10,833
Other expenses	9,795,470	4,805,130	3,670,488	5,806,205
Total cost of sales, selling and administrative expenses	175,270,648	146,704,060	114,220,498	112,812,799

8 Employee benefit expense – including directors' emoluments

	Year ended 31 March		Nine months ended 31 December	
	2009	2010	2009	2010
	HKD	*HKD*	*HKD* *(unaudited)*	*HKD*
Salaries, wages and allowances	16,318,204	13,640,283	10,034,440	14,382,401
Pension costs – defined contribution plans	775,575	595,624	594,695	821,397
Disposal of business to employees *(note a)*	–	13,800,000	13,800,000	–
Other benefits	1,676,145	1,048,671	761,870	1,126,704
	18,769,924	29,084,578	25,191,005	16,330,502

(a) During the year ended 31 March 2010, the Group has disposed of its raw cable business (the "Raw Cable Business") to SunFair Industrial, a company which is jointly owned by the Ultimate Shareholder and Mr. Li Shi Bin, who are also members of the Group's key management team, as employee benefits for compensating their contributions to the Group (note 11(a)). There is no consideration received by the Group for the disposal. The employee benefits of HK$13,800,000 represent the fair value of the Raw Cable Business as at 29 May 2009, the date the Raw Cable business was disposed of to SunFair Industrial.

9 Finance income and costs

	Year ended 31 March		Nine months ended 31 December	
	2009	2010	2009	2010
	HKD	*HKD*	*HKD* *(unaudited)*	*HKD*
Finance costs:				
– Bank borrowings	(88,710)	(344,926)	(279,492)	(398,890)
– Bank overdrafts	(40,146)	(58,272)	–	–
– Trust receipt bank loans and factoring loans	(988,925)	(340,392)	(304,258)	(210,367)
	(1,117,781)	(743,590)	(583,750)	(609,257)
Finance income:				
– Short-term bank deposits	102,610	4,183	2,994	42,007

10 Income tax expense

	Year ended 31 March		Nine months ended 31 December	
	2009	2010	2009	2010
	HKD	*HKD*	*HKD* *(unaudited)*	*HKD*
Current income tax				
– Hong Kong profits tax	–	1,981,511	1,484,983	1,043,442
– PRC corporate income tax	891,863	978,005	508,733	969,770
Deferred income tax *(note 25)*	178,711	1,560,283	1,610,808	124,478
	1,070,574	4,519,799	3,604,524	2,137,690

During the year ended 31 March 2009, no Hong Kong profit tax has been provided because the subsidiary incorporated in Hong Kong do not have any assessable profit.

Hong Kong profits tax has been provided at the rate of 16.5% for the years ended 31 March 2009 and 2010, and the nine months ended 31 December 2009 and 2010 on the estimated assessable profits for each of the Relevant Periods.

SunFair SZ, a subsidiary operating in the PRC, was eligible to a 50% reduction in corporate income tax rate during the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010. The PRC corporate income tax is provided at the rate of 10%, 11%, 11% and 12% for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010 respectively. The PRC tax benefit expired on 31 December 2010.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies comprising the Group as follows:

	Year ended 31 March		Nine months ended 31 December	
	2009	2010	2009	2010
	HKD	*HKD*	*HKD* *(unaudited)*	*HKD*
Profit before income tax	8,007,619	28,529,982	21,153,754	18,505,117
Tax calculated at domestic tax rates applicable to profits in the respective countries	432,865	4,109,364	[3,149,302]	[2,489,423]
Income not subject to tax	(41,908)	(3,330,431)	[(2,293,005)]	[(1,118,029)]
Expenses not deductible for tax purposes	190,186	3,363,228	[2,464,999]	[766,296]
Deferred tax on undistributed earnings	438,615	377,638	[283,228]	[–]
Remeasurement of deferred tax – change in tax rate	50,816	–	[–]	[–]
Income tax expense	1,070,574	4,519,799	3,604,524	2,137,690

The effective tax rate increased during the year from 31 March 2009 to 31 March 2010 is primarily due to utilisation of tax loss during the year ended 31 March 2009. The effective tax rate decreased during the nine months from 31 December 2009 to 31 December 2010 is primarily due to the fact that the fair value gain on previously held interest for the nine months 31 December 2010 is not subject to tax.

11 Directors' and senior executive's emoluments

(a) Directors' and senior executive's emoluments

The emoluments of the directors and a senior executive for the Relevant Periods are set out below:

	Fee	Salaries, allowances and benefits in kind	Bonuses	Retirement benefit contributions	Others	Total
	HKD	*HKD*	*HKD*	*HKD*	*HKD* *(note 8(a))*	*HKD*
Year ended 31 March 2009						
Director						
Yeung Tin Hung	–	480,000	–	12,000	–	492,000
Yau Kwai Lung	–	720,000	–	12,000	–	732,000
	–	1,200,000	–	24,000	–	1,224,000
Senior executive						
Li Shi Bin	–	111,364	–	–	–	111,364
	–	1,311,364	–	24,000	–	1,335,364

	Fee	Salaries, allowances and benefits in kind	Bonuses	Retirement benefit contributions	Others	Total
	HKD	*HKD*	*HKD*	*HKD*	*HKD (note 8(a))*	*HKD*
Year ended 31 March 2010						
Director						
Yeung Tin Hung	–	540,000	–	12,000	6,900,000	7,452,000
Yeung Shing Wai	–	100,000	–	1,000	–	101,000
	–	640,000	–	13,000	6,900,000	7,553,000
Senior executives						
Li Shi Bin	–	136,364	–	1,200	6,900,000	7,037,564
	–	776,364	–	14,200	13,800,000	14,590,564
Nine months ended 31 December 2010						
Director						
Yeung Tin Hung	–	900,000	–	9,000	–	909,000
Yeung Shing Wai	–	450,000	–	9,000	–	459,000
	–	1,350,000	–	18,000	–	1,368,000
Senior executives						
Li Shi Bin	–	45,454	–	459	–	45,913
	–	1,395,454	–	18,459	–	1,413,913
(Unaudited)						
Nine months ended 31 December 2009						
Director						
Yeung Tin Hung	–	360,000	–	9,000	6,900,000	7,269,000
Senior executive						
Li Shi Bin	–	102,273	–	900	6,900,000	7,003,173
	–	462,273	–	9,900	13,800,000	14,272,173

During the Relevant Periods, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the Relevant Periods include one director for the year ended 31 March 2010, and the nine months ended 31 December 2009 and include two directors for the year ended 31 March 2009, and the nine months ended 31 December 2010, respectively. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals for the years/period ended 31 March 2010 and 31 December 2009 and three individuals for the years/period ended 31 March 2009 and 31 December 2010, respectively, are as follows:

	Year ended 31 March		Nine months ended 31 December	
	2009	**2010**	**2009**	**2010**
	HKD	*HKD*	*HKD* (unaudited)	*HKD*
Salaries, wages and allowances	1,543,964	792,727	643,318	522,050
Pension costs – defined contribution plans	43,380	35,402	18,075	21,852
Other benefits	–	6,900,000	6,900,000	–
	1,587,344	7,728,129	7,561,393	543,902

The emoluments fell within the following bands:

	Year ended 31 March		Nine months ended 31 December	
	2009	**2010**	**2009** *(unaudited)*	**2010**
HKD Nil to HKD1,000,000	3	3	3	3
HKD1,000,001 to HKD1,500,000	–	–	–	–
HKD1,500,001 to HKD2,000,000	–	–	–	–
Over HKD2,000,000	–	1	1	–
	3	4	4	3

During the Relevant Periods, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12 Dividend

During the Relevant Periods, the Group's had distributed dividend to its shareholders as follows:

	Year ended 31 March		Nine months ended 31 December	
	2009	**2010**	**2009**	**2010**
	HKD	*HKD*	*HKD* *(unaudited)*	*HKD*
Interim dividend paid of HKD3.33 per ordinary share	–	–	–	10,000,000

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

13 Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010 on a combined basis as disclosed in Note 1.2.

14 Property, plant and equipment – Group

	Leasehold land	Buildings	Leasehold improvements	Moulding and equipment	Motor vehicles	Furniture and office equipment	Total
	HKD	*HKD*	*HKD*	*HKD*	*HKD*	*HKD*	*HKD*
At 1 April 2008							
Cost	–	–	539,941	7,105,968	2,714,961	509,643	10,870,513
Accumulated depreciation	–	–	(54,310)	(696,624)	(229,837)	(72,579)	(1,053,350)
Net book amount	–	–	485,631	6,409,344	2,485,124	437,064	9,817,163
Year ended 31 March 2009							
Opening net book amount	–	–	485,631	6,409,344	2,485,124	437,064	9,817,163
Additions	880,000	920,000	294,505	2,166,925	149,160	669,817	5,080,407
Disposals	–	–	–	–	(935,458)	–	(935,458)
Depreciation charge *(note 7)*	(1,880)	(1,966)	(171,837)	(1,797,464)	(750,505)	(245,287)	(2,968,939)
Closing net book amount	878,120	918,034	608,299	6,778,805	948,321	861,594	10,993,173
At 31 March 2009							
Cost	880,000	920,000	834,446	9,272,893	1,608,121	1,179,460	14,694,920
Accumulated depreciation	(1,880)	(1,966)	(226,147)	(2,494,088)	(659,800)	(317,866)	(3,701,747)
Net book amount	878,120	918,034	608,299	6,778,805	948,321	861,594	10,993,173
Year ended 31 March 2010							
Opening net book amount	878,120	918,034	608,299	6,778,805	948,321	861,594	10,993,173
Additions	3,660,000	1,160,200	58,026	1,031,962	425,275	112,815	6,448,278
Depreciation charge *(note 7)*	(39,577)	(28,289)	(220,403)	(2,002,587)	(486,103)	(321,927)	(3,098,886)
Closing net book amount	4,498,543	2,049,945	445,922	5,808,180	887,493	652,482	14,342,565
At 31 March 2010							
Cost	4,540,000	2,080,200	892,472	10,304,855	2,033,396	1,292,275	21,143,198
Accumulated depreciation	(41,457)	(30,255)	(446,550)	(4,496,675)	(1,145,903)	(639,793)	(6,800,633)
Net book amount	4,498,543	2,049,945	445,922	5,808,180	887,493	652,482	14,342,565
Nine months ended 31 December 2010							
Opening net book amount	4,498,543	2,049,945	445,922	5,808,180	887,493	652,482	14,342,565
Acquisition of a subsidiary *(note 27)*	–	–	–	1,119,153	–	68,972	1,188,125
Additions	–	–	227,315	2,447,503	952,761	770,727	4,398,306
Disposal	–	–	–	–	(120,833)	–	(120,833)
Depreciation charge *(note 7)*	(90,306)	(40,850)	(178,932)	(1,986,441)	(434,919)	(277,043)	(3,008,491)
Closing net book amount	4,408,237	2,009,095	494,305	7,388,395	1,284,502	1,215,138	16,799,672
At 31 December 2010							
Cost	4,540,000	2,080,200	1,119,786	13,871,511	2,786,157	2,131,974	26,529,628
Accumulated depreciation	(131,763)	(71,105)	(625,481)	(6,483,116)	(1,501,655)	(916,836)	(9,729,956)
Net book amount	4,408,237	2,009,095	494,305	7,388,395	1,284,502	1,215,138	16,799,672

	Leasehold land	Buildings	Leasehold improvements	Moulding and equipment	Motor vehicles	Furniture and office equipment	Total
	HKD	*HKD*	*HKD*	*HKD*	*HKD*	*HKD*	*HKD*
(unaudited)							
Nine months ended 31 December 2009							
Opening net book amount	878,120	918,034	608,299	6,778,805	948,321	861,594	10,993,173
Additions	–	–	58,026	324,909	425,275	71,850	880,060
Depreciation charge *(note 7)*	(16,920)	(17,695)	(164,624)	(1,489,039)	(349,701)	(238,320)	(2,276,299)
Closing net book amount	861,200	900,339	501,701	5,614,675	1,023,895	695,124	9,596,934
At 31 December 2009							
Cost	880,000	920,000	892,472	9,597,802	2,033,396	1,251,310	15,574,980
Accumulated depreciation	(18,800)	(19,661)	(390,771)	(3,983,127)	(1,009,501)	(556,186)	(5,978,046)
Net book amount	861,200	900,339	501,701	5,614,675	1,023,895	695,124	9,596,934

Leasehold land and buildings with net book amount of HKD1,796,154, HKD6,548,488 and HKD6,417,332 were pledged to a bank to secure general banking facilities granted to the Group as at 31 March 2009 and 2010 and 31 December 2010 respectively.

Depreciation expense of the Group's property, plant and equipment has been charged to the combined statements of comprehensive income as follows:

	Year ended 31 March		Nine months ended 31 December	
	2009	2010	2009	2010
	HKD	*HKD*	*HKD*	*HKD*
			(unaudited)	
Cost of sales	2,043,724	2,248,672	1,645,873	2,182,506
Administrative expenses	925,215	850,214	630,426	825,985
	2,968,939	3,098,886	2,276,299	3,008,491

The Group's interest in leasehold land is analysed as follows:

	As at 31 March		As at 31 December
	2009	2010	2010
	HKD	*HKD*	*HKD*
In Hong Kong, held on:			
Leases of between 10 and 50 years	878,120	4,498,543	4,408,237

Motor vehicles includes the following amounts where the Group is a lessee under a finance lease:

	Year ended 31 March		Nine months ended 31 December	
	2009	2010	2009	2010
Cost – Capitalised finance loans	–	–	–	609,952
Accumulated depreciation	–	–	–	(38,122)
Net book amount	–	–	–	571,830

The Group leases a vehicle under non-cancellable finance lease agreements. The lease term is 2 years and the ownership of the vehicle lie within the Group.

15 Goodwill – Group

	HKD
Nine months ended 31 December 2010	
Opening net book amount	–
Additions *(note 27)*	14,284,967
Impairment *(note 7)*	(3,243,500)
Closing net book amount	11,041,467
At 31 December 2010	
Cost	14,284,967
Accumulated impairment	(3,243,500)
Net book amount	11,041,467

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generated units ("CGUs") identified according to the operating segment of raw cables.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using the estimated growth rates stated below. Management estimates the pre-tax discount rate that reflects market assessment of the time value of money and specific risk relating to the industry.

Key assumptions of the financial budgets covering the four-years period and other key assumptions used for value-in-use calculations are as follow:

Average sales growth rate *(note a)*	6%
Terminal growth rate	3%
Discount rate *(note b)*	20.3%

(a) Average sales growth rate used in the budget for the four years period ending 31 March 2014.

(b) Discount rate applied to the cash flow projection.

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 combined statement of comprehensive income.

16 Interest in a jointly controlled entity – Group

	As at 31 March		As at 31 December
	2009	2010	2010
	HKD	*HKD*	*HKD*
Share of net assets of a jointly controlled entity	–	1,189,273	–
Loan to a jointly controlled entity	–	2,000,000	–

The loan to a jointly controlled entity is unsecured, interest free and repayable on demand.

Particulars of the jointly controlled entity of the Group during the Relevant Periods are as follows:

Name	Place of Incorporation and operation	Particular of issued share capital	Percentage of equity interest attributable to the Group As at 31 March 2009	2010	Principal activities	*Note*
SunFair Industrial	Hong Kong	10,000 ordinary shares of HKD1 each	–	50%	Processing and distribution of raw cables in the PRC	(a)

(a) On 31 March 2010, the Group acquired the issued share capital representing 50% equity interests in SunFair Industrial from the Ultimate Shareholder at a consideration of HKD1,189,273 and it was accounted for as a jointly controlled entity. On 31 May 2010, the Group acquired the remaining 50% equity interest in Sun Fair Industrial from Mr. Li Shi Bin at a consideration of HKD10,000,000 and thereafter SunFair Industrial became a wholly owned subsidiary of the Group.

Summarised financial information of the Group's interest in the jointly controlled entity is as follows:

	Year ended 31 March 2010 *HKD*	Nine months ended 31 December 2010 *HKD*
Revenue	–	4,532,216
Expenses	–	(4,476,115)
Profit before income tax	–	56,101
Income tax expense	–	(9,607)
Profit for the year/period	–	46,494

	As at 31 March 2010 *HKD*
Non-current assets	461,105
Current assets	10,417,883
Total assets	10,878,988
Current liabilities	(9,689,715)
Net assets	1,189,273

17 Inventories – Group

	31 March 2009 HKD	31 March 2010 HKD	31 December 2010 HKD
Raw materials	5,886,657	5,372,609	7,635,367
Work in progress	5,069,166	4,321,708	4,464,997
Finished goods	4,087,642	4,453,207	5,675,766
	15,043,465	14,147,524	17,776,130
Less: Provision for obsolescence *(note 7)*	(588,389)	(923,756)	(1,386,707)
	14,455,076	13,223,768	16,389,423

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HKD120,810,637, HKD96,981,039, HKD74,242,304 (unaudited) and HKD69,608,699 for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2009 and 2010 respectively.

As at 31 March 2009 and 2010 and 31 December 2010, no inventory was stated at net realisable value.

18 Trade and other receivables – Group

	31 March 2009 HKD	31 March 2010 HKD	31 December 2010 HKD
Trade receivables			
– third parties	33,890,160	36,237,542	43,114,470
– a jointly controlled entity *(note 30)*	–	5,245,986	–
Total trade receivables	33,890,160	41,483,528	43,114,470
Prepayments, deposits and other receivables	530,280	2,794,900	8,402,546
	34,420,440	44,278,428	51,517,016

The carrying amounts of the Group's trade and other receivables approximate their fair values.

The majority of the Group's sales are on credit terms up to 90 days. As of 31 March 2009 and 2010 and 31 December 2010, trade receivables of HKD9,457,617, HKD12,428,657 and HKD15,355,866 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HKD	*HKD*	*HKD*
Neither past due nor impaired	24,432,543	29,054,871	27,758,604
0 – 30 days past due	7,907,903	10,634,199	12,646,821
31 – 60 days past due	1,085,145	1,685,008	2,351,824
61 – 90 days past due	392,910	–	353,695
91 – 120 days past due	71,659	109,450	3,526
Past due but not impaired	9,457,617	12,428,657	15,355,866
	33,890,160	41,483,528	43,114,470

Trade receivables that were neither past due nor impaired relates to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track 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 the balances are still considered fully recoverable. The maximum exposure to credit risk at the reporting date during the Relevant Periods is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral over these balances.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HKD	*HKD*	*HKD*
Hong Kong dollar	29,936,419	36,636,392	45,865,474
United States dollar	4,420,146	7,642,036	5,176,452
Other currencies	63,875	–	475,090
	34,420,440	44,278,428	51,517,016

Movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 March		Nine months ended 31 December
	2009	**2010**	**2010**
Beginning of year/period	–	–	–
Provision for receivables impairment	220,958	–	–
Receivables written-off during the year/period as uncollectible	(220,958)	–	–
End of year/period	–	–	–

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the combined statements of comprehensive income. Amounts charged to the allowance account are generally written-off, when there is no expectation of recovering additional cash.

19 Financial assets at fair value through profit or loss – Group

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HKD	*HKD*	*HKD*
Unlisted securities			
– Investment funds	1,658,976	959,755	1,012,175

Financial assets at fair value through profit or loss represent investment funds invested in listed equity instruments outside Hong Kong. The fair value of the investment funds is based on the quotation from a bank.

The investments were pledged to a bank to secure general banking facilities granted to the Group as at 31 March 2009 and 2010 and [31 December 2010] respectively.

Changes in fair values of the pledged investments are recorded in 'other (losses)/gains – net' in the combined statements of comprehensive income.

20 Cash and cash equivalents and pledged deposits – Group

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HKD	*HKD*	*HKD*
Cash at bank	3,907,024	12,116,666	9,542,413
	3,907,024	12,116,666	9,542,413
Pledged deposits	2,533,882	2,513,635	2,523,382
Maximum exposure to credit risk	6,440,906	14,630,301	12,065,795

Cash and cash equivalents include the following for purposes of the combined statements of cash flows:

	As at 31 March		As at 31 December
	2009	2010	2010
	HKD	*HKD*	*HKD*
Cash at bank	3,907,024	12,116,666	9,542,413
Bank overdrafts *(note 24)*	(2,209,027)	–	–
	1,697,997	12,116,666	9,542,413

The carrying amounts of the Group's cash on hand, cash at bank and pledged deposits are denominated in the following currencies:

	As at 31 March		As at 31 December
	2009	2010	2010
	HKD	*HKD*	*HKD*
Hong Kong dollar	4,304,872	11,199,699	8,615,282
Renminbi	369,731	1,766,930	472,094
United States dollar	1,766,303	1,663,672	2,978,419
	6,440,906	14,630,301	12,065,795

The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash at bank and pledged deposits earns interest at floating rates based on daily bank deposit rates.

Pledged deposits were used to secure general banking facilities granted to the Group as at 31 March 2009 and 2010 and 31 December 2010 respectively.

21 Issued equity

	As at 31 March		As at 31 December
	2009	2010	2010
	HKD	*HKD*	*HKD*
Issued equity	3,000,000	3,000,000	3,000,000

SunFair HK has authorised and issued 3,000,000 ordinary shares of HKD1 each at par value as at 31 March 2009 and 2010 and 31 December 2010. Able One has authorised 50,000 ordinary shares and issued 3 ordinary shares of USD1 each at par value as at 31 March 2010 and 31 December 2010. Fairson Holdings Limited has authorised 380,000,000 ordinary shares and issued 1 ordinary shares of HKD0.001 each at par value as at 31 December 2010.

22 Reserves

	Statutory Reserve *HKD*	Retained earnings *HKD*	Total *HKD*
Balance at 1 April 2008	472,757	54,671	527,428
Profit and total comprehensive income for the year	–	6,937,045	6,937,045
Transfer to statutory reserve	27,243	(27,243)	–
Balance at 31 March 2009	500,000	6,964,473	7,464,473
Balance at 1 April 2009	500,000	6,964,473	7,464,473
Profit and total comprehensive income for the year	–	24,010,183	24,010,183
Transfer to statutory reserve	851,983	(851,983)	–
Balance at 31 March 2010	1,351,983	30,122,673	31,474,656
Balance at 1 April 2010	1,351,983	30,122,673	31,474,656
Profit and total comprehensive income for the period	–	16,367,427	16,367,427
Dividend *(note 12)*	–	(10,000,000)	(10,000,000)
Transfer to statutory reserve	720,512	(720,512)	–
Balance at 31 December 2010	2,072,495	35,769,588	37,842,083
(Unaudited)			
Balance at 1 April 2009	500,000	6,964,473	7,464,473
Profit and total comprehensive income for the period	–	17,549,230	17,549,230
Transfer to statutory reserve	473,843	(473,843)	–
Balance at 31 December 2009	973,843	24,039,860	25,013,703

(i) In accordance with the relevant regulations and the article of association, a Group's subsidiary incorporated in the PRC in required to allocate at least 10% of the after-tax profit according to the PRC accounting standard and regulations to general statutory reserve until such reserve has reached 50% of registered capital. This reserve can only be used for specific purposes and is not distributable or transferable to the loans, advances, cash dividends. Appropriation to the general statutory reserve for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 amounted to HK$27,243, HK$851,983 and HK$720,512, respectively.

23 Trade and other payables – Group

	As at 31 March		As at 31 December
	2009 *HKD*	2010 *HKD*	2010 *HKD*
Trade payables	13,691,898	14,794,762	29,435,464
Other payables	2,054,401	2,708,164	3,325,041
Deposit received	416,628	3,167,951	–
Accruals	3,038,350	5,474,272	5,133,377
	19,201,277	26,145,149	37,893,882

The carrying amounts of the Group's trade and other payables approximate their fair values.

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

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

	As at 31 March		As at 31 December
	2009	2010	2010
	HKD	*HKD*	*HKD*
Current	5,235,513	10,567,062	22,637,233
0 – 30 days	7,670,431	4,185,762	3,018,917
31 – 60 days	729,541	41,938	2,061,429
61 – 90 days	26,569	–	1,263,767
91 – 120 days	29,844	–	290,088
121 – 150 days	–	–	164,030
	13,691,898	14,794,762	29,435,464

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 31 March		As at 31 December
	2009	2010	2010
	HKD	*HKD*	*HKD*
Hong Kong dollar	13,311,093	17,888,401	28,850,795
Renminbi	4,692,344	8,148,248	6,599,954
United States dollar	1,197,840	108,500	2,443,133
	19,201,277	26,145,149	37,893,882

24 Borrowings – Group

	As at 31 March		As at 31 December
	2009	2010	2010
	HKD	*HKD*	*HKD*
Current			
Bank overdrafts	2,209,027	–	–
Trust receipt bank loans	10,878,093	4,470,000	5,787,334
Factoring loans	1,157,262	7,522,760	4,262,971
Bank borrowings	2,157,947	13,325,941	10,663,818
Hire purchase	–	–	402,506
	16,402,329	25,318,701	21,116,629

As at 31 March 2009 and 2010 and 31 December 2010, the Group has factored the trade receivables of HKD1,157,262, HKD7,522,760 and HKD4,262,971, respectively, to the bank which substantially all the risks and rewards of these receivables remains exposed.

The Group's borrowings are all denominated in Hong Kong dollars.

The weighted average effective interest rates at each of the year/period end dates of the Relevant Periods are as follows:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
Bank borrowings	3.17%	3.75%	3.05%
Bank overdrafts	5.99%	N/A	N/A
Factoring loans	5.00%	1.63%	1.75%
Trust receipt bank loans	4.81%	5.66%	6.02%
Hire purchase	N/A	N/A	3.00%

As of 31 March 2009 and 2010 and 31 December 2010, the Group had aggregate banking facilities of approximately [HKD51,828,557], [HKD48,250,000] and HKD48,250,000 respectively for overdrafts, loans, trade financing, factoring and spot and derivative transactions. Unused facilities as at the same dates amounted to approximately [HKD35,426,228], [HKD22,931,299] and HKD27,535,876 respectively. These facilities are secured by:

(a) The Group's buildings and leasehold land with an aggregate net book value of HKD1,796,154, HKD6,548,488 and HKD6,417,332 as at 31 March 2009 and 2010 and 31 December 2010 respectively (note 14);

(b) Pledge of the Group's financial assets at fair value through profit or loss with an aggregate fair value of HKD1,658,976, HKD959,755 and HKD1,012,175 as at 31 March 2009 and 2010 and 31 December 2010 respectively (note 19);

(c) Pledge of the Group's bank deposits with an aggregate net book value of HKD2,533,882, HKD2,513,635 and HKD2,523,382 as at 31 March 2009 and 2010 and 31 December 2010 respectively (note 20);

(d) Corporate guarantees provided by subsidiaries and personal guarantees given by directors as at 31 March 2009 and 2010 and 31 December 2010 (note 30(c)); and

(e) Corporate guarantee provided by a related company as at 31 March 2009 (note 30(c)).

The fair values of the Group's borrowings approximate their carrying amounts at year/period end dates.

25 Deferred income tax – Group

The analysis of deferred tax assets/(liabilities) is as follows:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HKD	*HKD*	*HKD*
Deferred income tax assets/(liabilities):			
– Deferred income tax assets/(liabilities) to be recovered after more than 12 months	658,847	(836,482)	(949,680)
– Deferred income tax assets/(liabilities) to be recovered within 12 months	51,722	(13,232)	(24,512)
	710,569	(849,714)	(974,192)

The following are the deferred tax assets/(liabilities) movements thereon during the Relevant Periods:

	Accelerated tax depreciation *HKD*	Tax losses *HKD*	Withholding tax on undistributed earnings *HKD*	Total *HKD*
At 1 April 2008	(141,454)	1,030,734	–	889,280
Credited/(charged) to combined statements of comprehensive income	111,732	148,172	(438,615)	(178,711)
At 31 March 2009	(29,722)	1,178,906	(438,615)	710,569
Charged to combined statements of comprehensive income	(3,739)	(1,178,906)	(377,638)	(1,560,283)
At 31 March 2010	(33,461)	–	(816,253)	(849,714)
Charged to combined statements of comprehensive income	(124,478)	–	[–]	(124,478)
At 31 December 2010	(157,939)	–	[(816,253)]	(974,192)
(unaudited)				
At 31 March 2009	(29,722)	1,178,906	(438,615)	710,569
Credited/(charged) to combined statements of comprehensive income	(148,674)	[(1,178,906)]	[(283,228)]	(1,610,808)
At 31 December 2009	(178,396)	[–]	[(721,843)]	(900,239)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 March		As at 31 December
	2009 *HKD*	2010 *HKD*	2010 *HKD*
Deferred tax assets	1,149,184	–	[–]
Deferred tax liabilities	438,615	849,714	974,192

As of 31 December 2010, deferred income tax liabilities of HKD464,000 have not been recognised for the withholding tax that would be payable on the unremitted earnings of a subsidiary. Such amounts are permanently reinvested.

The movements in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting balances within the same jurisdiction, are as follows:

Deferred tax assets

	Tax losses
	HKD
At 1 April 2008	1,030,734
Credited to combined statements of comprehensive income	148,172
At 31 March 2009	1,178,906
Charged to combined statements of comprehensive income	(1,178,906)
At 31 March 2010	–
Charged to combined statements of comprehensive income	–
At 31 December 2010	–
(Unaudited)	
At 1 April 2009	1,178,906
Credited to combined statements of comprehensive income	(1,178,906)
At 31 December 2009	–

Deferred tax liabilities

	Accelerated tax depreciation	Withholding tax on undistributed earnings	Total
	HKD	*HKD*	*HKD*
At 1 April 2008	(141,454)	–	(141,454)
Credited/(charged) to combined statements of comprehensive income	111,732	(438,615)	(326,883)
At 31 March 2009	(29,722)	(438,615)	(468,337)
Charged to combined statements of comprehensive income	(3,739)	(377,638)	(381,377)
At 31 March 2010	(33,461)	(816,253)	(849,714)
[Charged to combined statements of comprehensive income]	(124,478)	–	(124,478)
At 31 December 2010	(157,939)	(816,253)	(974,192)
(Unaudited)			
At 1 April 2009	(29,722)	(438,615)	(468,337)
Credited to combined statements of comprehensive income	(148,674)	(283,228)	(431,902)
At 31 December 2009	(178,396)	(721,843)	(900,239)

26 Cash generated from operations

	Year ended 31 March		Nine months ended 31 December	
	2009	2010	2009	2010
	HKD	*HKD*	*HKD* *(Unaudited)*	*HKD*
Profit before income tax	8,007,619	28,529,982	21,153,754	18,505,117
Adjustments for:				
– Depreciation and amortisation	2,968,939	3,098,886	2,276,299	3,008,491
– Loss on disposal of property, plant and equipment (see below)	415,458	–	–	10,833
– (Reversal of)/provision for obsolescence on inventories	190,232	335,367	(193,296)	462,951
– Provision for impairment on trade receivables	220,958	–	–	–
– Provision for impairment on goodwill	–	–	–	3,243,500
– Gain on disposal of financial assets at fair value through profit and loss	–	(19,763)	–	–
– Fair value gain on previously held interest	–	–	–	(5,520,733)
– Fair value (gain)/loss on financial assets at fair value through profit and loss	201,024	(76,559)	40,476	(52,420)
– Share of profit of a jointly controlled entity	–	–	–	(46,494)
– Finance costs	1,117,781	743,590	583,750	609,257
– Finance income	(102,610)	(4,183)	(2,994)	(42,007)
Cash generated from operations before changes in working capital	13,019,401	32,607,320	23,857,989	20,178,495
Changes in working capital:				
– Inventories	3,166,152	895,941	2,555,915	6,042,744
– Trade and other receivables	(2,543,318)	(10,307,988)	(2,397,227)	(10,831,903)
– Financial assets at fair value through profit or loss	(1,860,000)	795,543	679,369	–
– Trade and other payables	(14,500,551)	6,943,872	5,419,871	2,865,008
– Amounts due from/(to) related companies	3,084,531	(7,128)	19,591,187	–
– Amounts due from/(to) directors	7,895,736	(3,304,374)	(33,569,208)	2,589,769
Cash generated from operations	8,261,951	27,623,186	16,137,896	20,844,113

In the combined statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 March		Nine months ended 31 December	
	2009	2010	2009	2010
	HKD	*HKD*	*HKD* (*Unaudited*)	*HKD*
Net book amount *(note 14)*	935,458	–	–	120,833
Loss on disposal of property, plant and equipment	(415,458)	–	–	(10,833)
Proceeds from disposal of property, plant and equipment	520,000	–	–	110,000

Major non-cash transactions comprise:

	Year ended 31 March		Nine months ended 31 December	
	2009	2010	2009	2010
	HKD	*HKD*	*HKD* (*Unaudited*)	*HKD*
Gain on disposal of a business *(note 8(a))*	–	(13,800,000)	–	–
Disposal of a business to employees *(note 8(a))*	–	13,800,000	–	–
Assignment of loan to a jointly controlled entity from the Ultimate Shareholder *(note a) (note 30)*	–	2,000,000	–	–
Assignment of an amount due to a related company to a director *(note b) (note 30)*	–	(17,842,205)	–	–
Acquisition of property, plant and equipment through hire purchase	–	–	–	419,000
Purchase of property, plant and equipment through current accounts with a related company	1,800,000	–	–	–
Acquisition of a jointly controlled entity through current account with a director	–	1,189,273	–	–

Note a: During the year ended 31 March 2010, SunFair HK, SunFair Industrial and the Ultimate Shareholder, who is also the director of the Company, entered into an assignment which transfer the loan to the Ultimate Shareholder of HKD2,000,000 to SunFair HK.

Note b: During the year ended 31 March 2010, SunFair HK, Sun Fair Electric Wire & Cable Company Limited ("Old SunFair") and the Ultimate Shareholder, who is also the director of the Company, entered into an assignment which transfer the amount due to Old SunFair by the Group of HKD17,842,205 to the Ultimate Shareholder.

27 Business combination

On 31 March 2010, the Group acquired 50% interests in SunFair Industrial from the Ultimate Shareholder 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 goodwill of HKD14,284,967 arising from the Acquisition is attributable to the economies of scale expected from the operation of the Group and the acquired business.

The following table summarises the consideration paid for SunFair Industrial and the fair value of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value at the acquisition date of the previous held interest in SunFair Industrial.

	HKD
Consideration	
At 31 May 2010	
Cash	10,000,000
Fair value of equity interest in SunFair Industrial held before the business combination	6,756,500
	16,756,500

The fair value of the identified assets and liabilities as of 31 May 2010 arising from the Acquisition is as follows:

	Fair value *HKD*
Cash and cash equivalents	5,068,694
Property, plant and equipment	1,188,125
Inventories	9,671,350
Trade and other receivables	3,940,663
Amount due from a related company	1,755,207
Trade and other payables	(8,883,725)
Current tax liabilities	(516,294)
Amount due to a director	(13,304)
Amount due to a related company	(7,739,183)
Loans from shareholders	(2,000,000)
Fair value of net identified assets	2,471,533
Goodwill	14,284,967

The analysis of the net outflow of cash and cash equivalents in respect of the business combination is as follows:

	HKD
Purchase consideration	10,000,000
Cash and cash equivalents of the subsidiary acquired	(5,068,694)
Net cash outflow for the acquisition of a subsidiary	4,931,306

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. The gain is included in 'other (losses)/gains – net' in the combined statement of comprehensive income for nine months ended 31 December 2010.

The fair value of the previously held interest in SunFair Industrial was estimated by an independent valuer by applying an income approach. Key assumptions of the financial budgets covering four-years period and other key assumptions used for the valuation are as follows:

Average sales growth rate *(note a)*	6%
Terminal growth rate	3%
Discount rate *(note b)*	20.3%

(a) Average sales growth rate used in the budget for the four years period ending 31 March 2014.

(b) Discount rate applied to the cash flow projection.

The acquired business contributed turnover of HKD17,346,182 and profit of HKD573,658 to the Group for the period from its respective date of acquisition to 31 December 2010. If the acquisition had occurred on 1 April 2010, Group's revenue would have been HKD128,463,118, and net profit for Group for the nine months ended 31 December 2010 would have been HKD16,460,413. These amounts have been calculated using the Group's accounting policy.

28 Commitments

(a) Capital commitments

Capital expenditure contracted for but not yet incurred as at the year/period end dates during the Relevant Periods is as follows:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HKD	*HKD*	*HKD*
Property, plant and equipment	–	27,500	–

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases in respect of the factory are payable as follows:

	As at 31 March		As at 31 December
	2009	**2010**	**2010**
	HKD	*HKD*	*HKD*
No later than 1 year	1,704,000	648,000	1,935,710
Later than 1 year and no later than 5 years	648,000	–	5,340,215
	2,352,000	648,000	7,275,925

29 Contingent liabilities

The Group had no significant contingent liabilities at 31 March 2009 and 2010 and 31 December 2010.

30 Related party transactions

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

The Group had the following significant transactions with its related parties during the Relevant Periods:

	Year ended 31 March		Nine months ended 31 December	
	2009	2010	2009	2010
	HKD	*HKD*	*HKD*	*HKD*
			(unaudited)	
Sales of goods to				
– SunFair Industrial *(Note 1)*	–	12,676,190	11,105,874	2,363,845
Management service income from				
– SunFair Industrial *(Note 1)*	–	2,228,397	1,426,803	612,462
Disposal of the Raw Cable Business to				
– the Ultimate Shareholder *(note 8(a))*	–	6,900,000	6,900,000	–
– Mr. Li Shi Bin *(Note 2) (note 8 (a))*	–	6,900,000	6,900,000	–
Purchases of goods from				
– SunFair Industrial	–	37,371,946	28,344,582	6,507,116
Recharge of expenses to				
– SunFair Industrial	–	3,642,249	2,013,728	132,000
Purchase of property, plant and equipment from				
– Old SunFair *(Note 3)*	1,800,000	–	–	–
– A close family member of the Ultimate Shareholder	–	4,820,200	–	–
Acquisition of 50% equity interest in SunFair Industrial from				
– the Ultimate Shareholder	–	1,189,273	–	–
– Mr. Li Shi Bin	–	–	–	10,000,000
Assignment of loan to SunFair Industrial from				
– the Ultimate Shareholder	–	2,000,000	–	–
Assignment of amount due to Old SunFair to				
– the Ultimate Shareholder	–	17,842,205	–	–
Management fee paid to				
– Logic Dynamic Materials Limited *(Note 4)*	–	420,000	360,000	–
Transfer of financial assets at fair value through profit or loss				
– Old SunFair	1,860,000	–	–	–

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

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

Note 3: Old SunFair is a limited company held by the Ultimate Shareholder and Mr. Sunny Yau. It has ceased its operations on 31 May 2008 and transferred its assets and business to SunFair HK. Old SunFair has been liquidated on 1 September 2010.

Note 4: Logic Dynamic Materials Limited is owned by Mr. Yeung Shing Wai, a director of the company.

(a) These transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business and on the basis of estimated market value as determined by the directors.

(b) The emoluments of the directors and a senior executive (representing key management personnel) during the Relevant Periods are set out in note 11.

(c) As at 31 March 2009 and 2010 and 31 December 2010, certain banking facilities of the Group were secured by corporate guarantees given by a related company and subsidiaries and personal guarantees given by directors respectively (note 24(d) and (e)).

(d) The Group had the following balances with related parties:

	As at 31 March		**As at 31 December**
	2009	**2010**	**2010**
	HKD	***HKD***	***HKD***
Loan to a jointly controlled entity:			
– SunFair Industrial *(note 16)*	–	2,000,000	–
Receivables from related parties:			
– Logic Dynamic Materials Limited	–	7,128	7,128
– SunFair Industrial *(note 18)*	–	5,245,986	–
– Mr. Yeung Shing Wai	106,000	210,880	326,000
Payables to related parties:			
– Old SunFair	17,842,205	–	–
– Mr. Yeung Tin Hung	–	–	3,256,152
– the Ultimate Shareholder	3,868,455	537,961	–

Receivables and payables from/to related companies, a jointly controlled entity and directors are unsecured, interest free and are repayable on demand. None of the receivables from related parties is either past due or impaired. The balances with related parties are denominated in Hong Kong dollars.

All non-trade balances with related parties as at 31 December 2010 have been settled before [●].

31 Additional financial information of SunFair Industrial before acquisition

The financial information of SunFair Industrial for the period from 29 May 2009 (date of incorporation) to 31 March 2010 and for the period from 1 April 2010 to 31 May 2010 is as follows:

(a) Statements of comprehensive income

	Note	**Period from 29 May 2009 to 31 March 2010** *HKD*	**Period from 1 April 2010 to 31 May 2010** *HKD*
Revenue	*(i)*	40,965,358	9,064,431
Cost of sales	*(ii)*	(37,671,689)	(8,742,435)
Gross profit		3,293,669	321,996
Other gain		1,197	5,821
Selling expenses	*(ii)*	(88,374)	(116,062)
Administrative expenses	*(ii)*	(340,198)	(99,567)
Operating profit		2,866,294	112,188
Finance income		33	14
Profit before income tax		2,866,327	112,202
Income tax expense	*(iv)*	(497,781)	(19,215)
Profit and total comprehensive income for the period		2,368,546	92,987

(b) *Statements of financial position*

	Note	As at 31 March 2010 HKD	As at 31 May 2010 HKD
ASSETS			
Non-current assets			
Plant and equipment		922,209	1,188,125
Current assets			
Inventories	*(v)*	7,886,552	9,671,350
Trade and other receivables	*(vi)*	4,705,431	5,695,870
Cash and cash equivalents		8,243,783	5,068,694
		20,835,766	20,435,914
Total assets		21,757,975	21,624,039
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		10,000	10,000
Retained earnings		2,368,546	2,461,533
Total equity		2,378,546	2,471,533
LIABILITIES			
Current liabilities			
Trade and other payables	*(vii)*	14,870,029	16,622,908
Amount due to a director		11,619	13,304
Loans from shareholders		4,000,000	2,000,000
Current income tax liabilities		497,781	516,294
Total liabilities		19,379,429	19,152,506
Total equity and liabilities		21,757,975	21,624,039
Net current assets		1,456,337	1,283,408
Total assets less current liabilities		2,378,546	2,471,533

(c) Statements of changes in equity

	Share capital *HKD*	Retained earnings *HKD*	Total *HKD*
Balance at 29 May 2009 (date of incorporation)	–	–	–
Transaction with owners			
Proceeds from share issued	10,000	–	10,000
Profit and total comprehensive income for the period	–	2,368,546	2,368,546
Balance at 31 March 2010	10,000	2,368,546	2,378,546
Balance at 1 April 2010	10,000	2,368,546	2,378,546
Profit and total comprehensive income for the period	–	92,987	92,987
Balance at 31 May 2010	10,000	2,461,533	2,471,533

(d) Statements of cash flows

	Period from 29 May 2009 to 31 March 2010	Period from 1 April 2010 to 31 May 2010
	HKD	*HKD*
Cash flows from operating activities		
Profit before income tax	2,866,327	112,202
Adjustments for:		
– Finance income	(33)	(14)
– Depreciation	66,797	43,320
– (Reversal of)/provision for obsolescence on inventories	637,105	(176,157)
	3,570,196	(20,649)
Changes in working capital:		
– Inventories	(8,523,657)	(1,608,641)
– Trade and other receivables	(4,705,431)	(990,439)
– Trade and other payables	14,870,029	1,752,879
– Amount due to a director	11,619	1,685
Cash generated from/(used in) operations	5,222,756	(865,165)
Income tax paid	–	(702)
Net cash generated from/(used in) operating activities	5,222,756	(865,867)
Cash flows from investing activities		
Purchase of plant and equipment	(989,006)	(309,236)
Interest received	33	14
Net cash used in investing activities	(988,973)	(309,222)
Cash flow from financing activities		
Net proceeds from issue of ordinary shares	10,000	–
Proceeds from borrowings	4,000,000	–
Repayments of borrowings	–	(2,000,000)
Net cash generated from/(used in) financing activities	4,010,000	(2,000,000)
Net increase/(decrease) in cash and cash equivalents	8,243,783	(3,175,089)
Cash and cash equivalents at beginning of the period	–	8,243,783
Cash and cash equivalents at end of the period	8,243,783	5,068,694

(e) Notes to the financial information

(i) Revenue

SunFair Industrial is principally engaged in processing and distribution of raw cables. No segment information is presented since SunFair Industrial only engaged in one single business.

(ii) Expenses by nature

	Period from 29 May 2009 to 31 March 2010 *HKD*	**Period from 1 April 2010 to 31 May 2010** *HKD*
Raw materials and consumables used	32,998,273	6,773,643
Changes in inventories of finished goods and work in progress	(4,201,781)	532,444
Utilities	2,124,345	436,967
Operating lease payments	660,000	132,000
Depreciation	66,797	43,320
Employee benefit expense *(note (iii))*	2,982,249	678,750
Management service fee	160,000	20,000
(Reversal of)/provision for obsolescence of inventories *(note (v))*	637,105	(176,157)
Other expenses	2,673,273	517,097
	38,100,261	8,958,064

(iii) Employee benefit expense – including directors' emoluments

	Period from 29 May 2009 to 31 March 2010 *HKD*	**Period from 1 April 2010 to 31 May 2010** *HKD*
Salaries, wages and allowances	2,613,554	596,699
Pension costs – defined contribution plans	134,856	25,817
Other benefits	233,839	56,234
	2,982,249	678,750

Directors' emoluments

None of the directors of SunFair Industrial received any fees or emoluments in respect of their services rendered to Sun Fair Industrial during the periods.

(iv) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the periods.

	Period from 29 May 2009 to 31 March 2010	**Period from 1 April 2010 to 31 May 2010**
	HKD	*HKD*
Current income tax		
– Hong Kong profits tax	497,781	19,215

The tax on SunFair Industrial's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong, SunFair Industrial's principal place of operation, as follows:

	Period from 29 May 2009 to 31 March 2010	**Period from 1 April 2010 to 31 May 2010**
	HKD	*HKD*
Profit before income tax	2,866,327	112,202
Calculated at taxation rate of 16.5%	472,944	18,513
Income not subject to tax	(6)	(2)
Expenses not deductible for tax purposes	24,843	704
Income tax expense	497,781	19,215

(v) Inventories

	As at 31 March 2010	**As at 31 May 2010**
	HKD	*HKD*
Raw materials	4,321,876	6,462,961
Work in progress	988,284	731,072
Finished goods	3,213,497	2,938,265
	8,523,657	10,132,298
Less: Provision for obsolescence *(note (ii))*	(637,105)	(460,948)
	7,886,552	9,671,350

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HKD28,796,492 and HKD7,306,087 for the periods ended 31 March 2010 and 31 May 2010 respectively.

(vi) Trade and other receivables, including amount due from an intermediate holding company

	As at 31 March 2010 *HKD*	As at 31 May 2010 *HKD*
Trade receivables		
– third parties	2,188,863	3,680,863
– a related company	2,500,118	–
– an intermediate holding company	–	1,755,207
Total trade receivables	4,688,981	5,436,070
Prepayments	16,450	259,800
	4,705,431	5,695,870

(vii) Trade and other payables, including amount due to a fellow subsidiary

	As at 31 March 2010 *HKD*	As at 31 May 2010 *HKD*
Trade payables		
– third parties	7,123,925	8,781,681
– a related company	7,746,104	–
– a fellow subsidiary	–	7,739,183
Total trade payables	14,870,029	16,520,864
Other payables	–	102,044
	14,870,029	16,622,908

III. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 25 June 2010 with an initial authorised share capital of HKD380,000 divided into 380,000,000 ordinary shares with par value of HKD0.001 each. On the date of incorporation, 1 ordinary share was issued to the Fairson Holdings (BVI) Limited. The Company had not been involved in any significant business transactions since its date of incorporation to 31 December 2010. As at 31 December 2010, the Company had an amount due from a shareholder of HKD0.001 and a share capital of HKD0.001. Save as disclosed in this report, it had no other assets, liabilities or distributable reserve as at 31 December 2010.

IV. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2010. Save as disclosed elsewhere in this report, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2010.]

Yours faithfully,

[PricewaterhouseCoopers]
Certified Public Accountants

Hong Kong

Ample Appraisal Ltd
AMAP

Room 604, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Date : [●]

The Board of Directors
Fairson Holdings Limited
Flats A-C, 9th Floor
Yue Cheung Centre
1-3 Wong Chuk Yeung Street
Fotan, New Territories
Hong Kong Special Administrative Region

Dear Sirs,

In accordance with your instructions to value properties in which Fairson Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the Hong Kong Special Administrative Region (the "Hong Kong") and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 28 February 2011 (the "date of valuation").

The valuation is our opinion of market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests, we have complied with all the requirements contained in [●], the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuation has been made on the assumption that the owner sells the properties in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no forced sale situation in any manner is assumed in our valuation.

We have valued the property interests in Group I by the direct comparison approach assuming sale of the property interests in their existing state, assuming with the benefit of immediate vacant possession and by making reference to recent comparable sale transactions in the proximity. Adjustments have been made for the differences in transaction date, building age, floor area, level, etc between the comparable properties and the properties.

We have attributed no commercial value to the property interests in Group II which are leased by the Group, due to inclusion of non-alienation clause or otherwise due to the lack of substantial profit rents and short-term nature.

In valuing properties in Hong Kong, the Government Leases of which expired before 30 June 1997, we have taken account of the statement contained in Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases had extended without premium until 30 June 2047 and that a revised annual rent equivalent to 3% of the rateable value for the time being will be charged from the date of extension.

We have caused searches to be made at the Hong Kong Land Registry in relation to the property interests located in the Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain any amendment.

In addition, we have been, in some instances, provided by the Group with copy extracts of tenancy agreements relating to the property interests rented in the PRC. Where possible, we have examined the original documents to verify any amendments which may not appear on the copies handed to us. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests and the material encumbrances that might be attached. In this regard, we have relied considerably on the advice given by the Company's PRC legal adviser – 君道律師事務所 (Hills & Co.), concerning the validity of the Group's leasehold interests of the properties rented in the PRC.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents and official floor plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken. We have also assumed that there was not any material change of the properties in between date of our inspection and the valuation date.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not been commissioned to carry out a structural survey nor to arrange for an inspection of the services, but in the course of our inspection, we did not note any serious defects. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. For the properties we have carried out an inspection, we formulate a view as to the overall condition of the property taking into account the general appearance, the apparent standard and age of fixtures and fittings, and the existence of electricity, water and gas services. However it must be stressed that whilst we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might effect our valuation. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

We have not undertaken a survey to determine whether the mechanical and electrical systems within the properties (or the buildings or developments in which they are located) will be adversely affected on or after the year 2000 and as such have assumed that the properties will be unaffected.

Unless otherwise stated, we shall rely to a considerable extent on the information provided by you or your legal or other professional advisers on such matters as statutory notices, planning approval, easements, tenure, identification of property, particulars of occupation, lettings, rentals, floor areas, matters relating to tenure, tenancies and other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Where the property is located in a relatively under-developed market, such as the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised his professional judgement in arriving at the value, investors/report readers are urged to consider carefully the nature of such assumptions that are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollars.

Our valuations are summarized below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
Ample Appraisal Limited

Evan Yuen *MRICS MHKIS*
Registered Professional Surveyor
General Manager – Real Estate

Note: Mr. Evan Yuen is a Chartered Valuation Surveyor and a Registered Professional Surveyor, who has more than 15 years' experience in the valuation of properties in the PRC, Hong Kong and the South East Asia. Mr. Evan Yuen is also a valuer on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

SUMMARY OF VALUES

Group I: Property interests owned and occupied by the Group in Hong Kong

No.	Property	Capital value in existing state as at 28 February 2011 *HK$*
1.	Flat C on 26th Floor, Block 1, Castello, No. 69 Siu Lek Yuen Road, Shatin, New Territories, Hong Kong	5,870,000
2.	Factory Units A, B & C on 9th Floor, Yue Cheung Centre, Nos. 1-3 Wong Chuk Yeung Street, Shatin, New Territories, Hong Kong	4,700,000
	Sub-total:	10,570,000

Group II: Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 28 February 2011 *HK$*
3.	Block No. 1, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	No commercial value
4.	Block No. 2, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	No commercial value
5.	Block No. 3, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	No commercial value

No.	Property	Capital value in existing state as at 28 February 2011 *HK$*
6.	Block No. 4, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	No commercial value
7.	Levels 1 & 2, Block No. 5, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	No commercial value
8.	Dormitory Building Nos. A & B, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	No commercial value
9.	Dormitory Building Nos. C & D, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	No commercial value
	Sub-total:	Nil
	Grand-total:	**10,570,000**

VALUATION CERTIFICATE

Group I: Property interests owned and occupied by the Group in Hong Kong

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 28 February 2011 *HK$*
1.	Flat C on 26th Floor, Block 1, Castello, No. 69 Siu Lek Yuen Road, Shatin, New Territories, Hong Kong 168/461480th equal and undivided parts or shares of and in Sha Tin Town Lot No. 439	The property comprises a domestic unit on 26th floor of a 33-storey residential building built over a 4-level carparking podium. The subject development was completed in about 1999. The property extends to an approximate saleable area of 769 sq.ft. (71.44 sq.m.). The property is held under New Grant No. 12701 for a term commencing from 27 June 1996 to 30 June 2047. Ground Rent of the Lot payable to Government was HK$2,000 per annum until 30 June 1997 and thereafter 3% of the Rateable Value of the Lot.	We have been informed that as at the date of valuation, the property was occupied by the Group as director's quarter.	5,870,000

Notes:

1. According to the records obtained from the Hong Kong Land Registry, the registered owner of the property as at the date of valuation was Sun Fair Electric Wire & Cable (HK) Company Limited (三輝電綫電纜(香港)有限公司) , which the Company holds 100% interest.

2. The property is subject to Occupation Permit No. HD42/99 dated 30 October 1999 vide Memorial No. ST1122650.

3. The property is subject to Certificate of Compliance dated 30 November 1999 vide Memorial No. ST1125720.

4. The property is subject to Deed of Mutual Covenant and Management Agreement with Plan in favour of Kai Shing Management Service Limited "Manager" dated 20 December 1999 vide Memorial No. ST1128462.

5. The property is subject to Mortgage in favour of Hang Seng Bank Limited dated 21 January 2010 vide Memorial No. 10021902590201.

6. The building falls within an area zoned for "Residential (Group B)" on Sha Tin Outline Zoning Plan No. S/ST/24 dated February 2011.

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 28 February 2011 *HK$*
2.	Factory Units A, B & C on 9th Floor, Yue Cheung Centre, Nos. 1-3 Wong Chuk Yeung Street, Shatin, New Territories, Hong Kong 36/4060th equal and undivided parts or shares of and in Sha Tin Town Lot No. 79	The property comprises 3 adjoined factory units on 9th floor of an 18-storey industrial building which was completed in about 1986. The property extends to an approximate saleable area of 243.70 sq.m. (2,623 sq.ft.). The property is held under New Grant No. ST11328 for a term of 99 years commencing from 1 July 1898. By virtue of Section 6 of the New Territories Leases (Extension) Ordinance, the said lease term had been extended until 30 June 2047 without payment of additional premium but at a revised annual rent equivalent to 3% of the rateable value for the time being of the Lot from the date of extension.	We have been informed that as at the date of valuation, the property was occupied by the Group as godown and ancillary office uses.	4,700,000

Notes:

1. According to the records obtained from the Hong Kong Land Registry, the registered owner of the property as at the date of valuation was Sun Fair Electric Wire & Cable (HK) Company Limited (三輝電綫電纜(香港)有限公司), which the Company holds 100% interest.

2. The property is subject to Occupation Permit No. NT116/86 dated 25 September 1986 vide Memorial No. ST341837.

3. The property is subject to Certificate of Compliance dated 24 October 1986 vide Memorial No. ST347014.

4. The property is subject to Deed of Mutual Covenant with Plans dated 6 November 1986 vide Memorial No. ST347551.

5. The property is subject to Management Agreement dated 6 November 1986 vide Memorial No. ST347552.

6. The property is subject to 3 Mortgages all in favour of Dah Sing Bank Limited and dated 18 March 2008 vide Memorial Nos. 08040303130106, 08040303130119 & 08040303130126.

7. The building falls within an area zoned for "Industrial" on Sha Tin Outline Zoning Plan No. S/ST/24 dated February 2011.

Group II: Property interests rented and occupied by the Group in the PRC

	Property	Description	Particular of occupancy	Capital value in existing state as at 28 February 2011 *HK$*
3.	Block No. 1, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	The property comprises a block of 3-storey industrial building which was completed in about 1995. The property has a total gross floor area of approximately 2,475 sq.m. (26,641 sq.ft.).	The property is leased to the Group from an independent third party for a term of 3 years commencing from 1 August 2010 at a monthly rent of RMB22,284 (exclusive of management fees and utility charges). We have been informed that the property was occupied by the Group primarily as workshop uses, as at the date of valuation.	No commercial value

Notes:

1. Pursuant to a tenancy agreement signed between 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company) and 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited) dated 24 August 2010, the property is leased to the Group for a term of 3 years commencing from 1 August 2010 to 31 July 2013 at a monthly rent of RMB22,284 (exclusive of management fees and utility charges).

2. The Landlord, 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company), is an independent third party which is not connected with and is independent of, any of directors, chief executives or shareholders of the Company or any of its subsidiaries, or any of their respective associates.

3. The Tenant is 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited), which the Company holds 100% interest.

4. We have been provided with a legal opinion in respect of the legality of the tenancy of the property issued by the Company's PRC legal adviser, which contains, inter alia, the following:–

   (i) Due to the reason of history issue, the Landlord has not yet obtained the real estate ownership certificate in question.

   (ii) The Landlord has made the necessary applications to resolve the history issue and obtain the real estate ownership certificate in question which should not be any legal impediment within a reasonable and foreseeable extent. However, the Shenzhen local government has not promulgated any regulations with respect to the time frame for dealing with the history issue and issuance of the relevant real estate ownership certificate. Given that the history issue is very common in Shenzhen and the Shenzhen local government is processing the issue, the possibility of the property being demolished or resumed by the government is not high.

(iii) The People's Court of Shenzhen may hold the subject tenancy agreement as invalid for the reason that the property is erected on collective land and the Landlord can not provide the real estate ownership certificate in question and the relevant construction work planning permit.

(iv) The subject tenancy agreement had been registered with the relevant government authority in the PRC, the local government will temporarily admit and permit the Landlord or the Tenant to use the property before the history issue is solved.

	Property	Description	Particular of occupancy	Capital value in existing state as at 28 February 2011 *HK$*
4.	Block No. 2, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	The property comprises a block of 3-storey industrial building which was completed in about 1995. The property has a total gross floor area of approximately 2,400 sq.m. (25,834 sq.ft.).	The property is leased to the Group from an independent third party for a term of 3 years commencing from 1 August 2010 at a monthly rent of RMB21,600 (exclusive of management fees and utility charges). We have been informed that the property was occupied by the Group primarily as workshop uses, as at the date of valuation.	No commercial value

Notes:

1. Pursuant to a tenancy agreement signed between 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company) and 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited) dated 25 August 2010, the property is leased to the Group for a term of 3 years commencing from 1 August 2010 to 31 July 2013 at a monthly rent of RMB21,600 (exclusive of management fees and utility charges).

2. The Landlord, 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company), is an independent third party which is not connected with and is independent of, any of directors, chief executives or shareholders of the Company or any of its subsidiaries, or any of their respective associates.

3. The Tenant is 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited), which the Company holds 100% interest.

4. We have been provided with a legal opinion in respect of the legality of the tenancy of the property issued by the Company's PRC legal adviser, which contains, inter alia, the following:–

   (i) Due to the reason of history issue, the Landlord has not yet obtained the real estate ownership certificate in question.

   (ii) The Landlord has made the necessary applications to resolve the history issue and obtain the real estate ownership certificate in question which should not be any legal impediment within a reasonable and foreseeable extent. However, the Shenzhen local government has not promulgated any regulations with respect to the time frame for dealing with the history issue and issuance of the relevant real estate ownership certificate. Given that the history issue is very common in Shenzhen and the Shenzhen local government is processing the issue, the possibility of the property being demolished or resumed by the government is not high.

   (iii) The People's Court of Shenzhen may hold the subject tenancy agreement as invalid for the reason that the property is erected on collective land and the Landlord can not provide the real estate ownership certificate in question and the relevant construction work planning permit.

(iv) The subject tenancy agreement had been registered with the relevant government authority in the PRC, the local government will temporarily admit and permit the Landlord or the Tenant to use the property before the history issue is solved.

	Property	Description	Particular of occupancy	Capital value in existing state as at 28 February 2011 *HK$*
5.	Block No. 3, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	The property comprises a block of 2-storey industrial building which was completed in about 1995. The property has a total gross floor area of approximately 1,700 sq.m. (18,299 sq.ft.).	The property is leased to the Group from an independent third party for a term of 5 years commencing from 1 June 2010 at a monthly rent of RMB16,078 (exclusive of management fees and utility charges). We have been informed that the property was occupied by the Group primarily as godown and office uses, as at the date of valuation.	No commercial value

Notes:

1. Pursuant to a tenancy agreement signed between 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company) and 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited) dated 30 June 2010, the property is leased to the Group for a term of 5 years commencing from 1 June 2010 to 31 May 2015 at a monthly rent of RMB16,078 (exclusive of management fees and utility charges).

2. The Landlord, 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company), is an independent third party which is not connected with and is independent of, any of directors, chief executives or shareholders of the Company or any of its subsidiaries, or any of their respective associates.

3. The Tenant is 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited), which the Company holds 100% interest.

4. We have been provided with a legal opinion in respect of the legality of the tenancy of the property issued by the Company's PRC legal adviser, which contains, inter alia, the following:–

   (i) The People's Court of Shenzhen may hold the subject tenancy agreement as invalid for the reason that the property is erected on collective land and the Landlord can not provide the real estate ownership certificate in question and the relevant construction work planning permit.

	Property	Description	Particular of occupancy	Capital value in existing state as at 28 February 2011 *HK$*
6.	Block No. 4, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	The property comprises a block of 2-storey industrial building which was completed in about 1995. The property has a total gross floor area of approximately 1,700 sq.m. (18,299 sq.ft.).	The property is leased to the Group from an independent third party for a term of 5 years commencing from 1 June 2010 at a monthly rent of RMB16,078 (exclusive of management fees and utility charges). We have been informed that the property was occupied by the Group primarily as workshop and godown uses, as at the date of valuation.	No commercial value

Notes:

1. Pursuant to a tenancy agreement signed between 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company) and 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited) dated 30 June 2010, the property is leased to the Group for a term of 5 years commencing from 1 June 2010 to 31 May 2015 at a monthly rent of RMB16,078 (exclusive of management fees and utility charges).

2. The Landlord, 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company), is an independent third party which is not connected with and is independent of, any of directors, chief executives or shareholders of the Company or any of its subsidiaries, or any of their respective associates.

3. The Tenant is 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited), which the Company holds 100% interest.

4. We have been provided with a legal opinion in respect of the legality of the tenancy of the property issued by the Company's PRC legal adviser, which contains, inter alia, the following:–

   (i) Due to the reason of history issue, the Landlord has not yet obtained the real estate ownership certificate in question.

   (ii) The Landlord has made the necessary applications to resolve the history issue and obtain the real estate ownership certificate in question which should not be any legal impediment within a reasonable and foreseeable extent. However, the Shenzhen local government has not promulgated any regulations with respect to the time frame for dealing with the history issue and issuance of the relevant real estate ownership certificate. Given that the history issue is very common in Shenzhen and the Shenzhen local government is processing the issue, the possibility of the property being demolished or resumed by the government is not high.

   (iii) The People's Court of Shenzhen may hold the subject tenancy agreement as invalid for the reason that the property is erected on collective land and the Landlord can not provide the real estate ownership certificate in question and the relevant construction work planning permit.

   (iv) The subject tenancy agreement had been registered with the relevant government authority in the PRC, the local government will temporarily admit and permit the Landlord or the Tenant to use the property before the history issue is solved.

	Property	Description	Particular of occupancy	Capital value in existing state as at 28 February 2011 *HK$*
7.	Levels 1 & 2, Block No. 5, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	The property comprises 2 floors of a 3-storey industrial building which was completed in about 1995. The property has a total gross floor area of approximately 3,600 sq.m. (38,750 sq.ft.).	The property is leased to the Group from an independent third party for a term of 5 years commencing from 1 June 2010 at a monthly rent of RMB33,944 (exclusive of management fees and utility charges). We have been informed that the property was occupied by the Group primarily as workshop uses, as at the date of valuation.	No commercial value

Notes:

1. Pursuant to a tenancy agreement signed between 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company) and 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited) dated 30 June 2010, the property is leased to the Group for a term of 5 years commencing from 1 June 2010 to 31 May 2015 at a monthly rent of RMB33,944 (exclusive of management fees and utility charges).

2. The Landlord, 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company), is an independent third party which is not connected with and is independent of, any of directors, chief executives or shareholders of the Company or any of its subsidiaries, or any of their respective associates.

3. The Tenant is 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited), which the Company holds 100% interest.

4. We have been provided with a legal opinion in respect of the legality of the tenancy of the property issued by the Company's PRC legal adviser, which contains, inter alia, the following:–

   (i) Due to the reason of history issue, the Landlord has not yet obtained the real estate ownership certificate in question.

   (ii) The Landlord has made the necessary applications to resolve the history issue and obtain the real estate ownership certificate in question which should not be any legal impediment within a reasonable and foreseeable extent. However, the Shenzhen local government has not promulgated any regulations with respect to the time frame for dealing with the history issue and issuance of the relevant real estate ownership certificate. Given that the history issue is very common in Shenzhen and the Shenzhen local government is processing the issue, the possibility of the property being demolished or resumed by the government is not high.

   (iii) The People's Court of Shenzhen may hold the subject tenancy agreement as invalid for the reason that the property is erected on collective land and the Landlord can not provide the real estate ownership certificate in question and the relevant construction work planning permit.

   (iv) The subject tenancy agreement had been registered with the relevant government authority in the PRC, the local government will temporarily admit and permit the Landlord or the Tenant to use the property before the history issue is solved.

	Property	Description	Particular of occupancy	Capital value in existing state as at 28 February 2011 *HK$*
8.	Dormitory Building Nos. A & B, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	The property comprises 1 block of 3-storey and 1 block of 4.5-storey dormitory building which were completed in about 1995. The property has a total gross floor area of approximately 2,100 sq.m. (22,604 sq.ft.).	The property is leased to the Group from an independent third party for a term of 6 years commencing from 1 January 2010 at a monthly rent of RMB18,900 (exclusive of management fees and utility charges). We have been informed that the property was occupied by the Group primarily as dormitory and recreation uses, as at the date of valuation.	No commercial value

Notes:

1. Pursuant to a tenancy agreement signed between 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company) and 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited) dated 13 January 2010, the property is leased to the Group for a term of 6 years commencing from 1 January 2010 to 31 December 2015 at a monthly rent of RMB18,900 (exclusive of management fees and utility charges).

2. The Landlord, 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company), is an independent third party which is not connected with and is independent of, any of directors, chief executives or shareholders of the Company or any of its subsidiaries, or any of their respective associates.

3. The Tenant is 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited), which the Company holds 100% interest.

4. We have been provided with a legal opinion in respect of the legality of the tenancy of the property issued by the Company's PRC legal adviser, which contains, inter alia, the following:–

   (i) Due to the reason of history issue, the Landlord has not yet obtained the real estate ownership certificate in question.

   (ii) The Landlord has made the necessary applications to resolve the history issue and obtain the real estate ownership certificate in question which should not be any legal impediment within a reasonable and foreseeable extent. However, the Shenzhen local government has not promulgated any regulations with respect to the time frame for dealing with the history issue and issuance of the relevant real estate ownership certificate. Given that the history issue is very common in Shenzhen and the Shenzhen local government is processing the issue, the possibility of the property being demolished or resumed by the government is not high.

   (iii) The People's Court of Shenzhen may hold the subject tenancy agreement as invalid for the reason that the property is erected on collective land and the Landlord can not provide the real estate ownership certificate in question and the relevant construction work planning permit.

   (iv) The subject tenancy agreement had been registered with the relevant government authority in the PRC, the local government will temporarily admit and permit the Landlord or the Tenant to use the property before the history issue is solved.

	Property	Description	Particular of occupancy	Capital value in existing state as at 28 February 2011 *HK$*
9.	Dormitory Building Nos. C & D, Dong Feng Industrial Area, Song Gang Community, Song Gang Sub-district, Baoan District, Shenzhen Shi, Guangdong Province, the PRC	The property comprises 1 block of 3-storey and 1 block of 4-storey dormitory building which were completed in about 1995. The property has a total gross floor area of approximately 1,452 sq.m. (15,629 sq.ft.).	The property is leased to the Group from an independent third party for a term of 3 years commencing from 1 August 2010 at a monthly rent of RMB13,068 (exclusive of management fees and utility charges). We have been informed that the property was occupied by the Group primarily as dormitory and canteen uses, as at the date of valuation.	No commercial value

Notes:

1. Pursuant to a tenancy agreement signed between 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company) and 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited) dated 25 August 2010, the property is leased to the Group for a term of 3 years commencing from 1 August 2010 to 31 July 2013 at a monthly rent of RMB13,068 (exclusive of management fees and utility charges).

2. The Landlord, 深圳市東風雋億股份合作公司 (Shenzhen Shi Dong Feng Juan Yi Share Co-operative Company), is an independent third party which is not connected with and is independent of, any of directors, chief executives or shareholders of the Company or any of its subsidiaries, or any of their respective associates.

3. The Tenant is 三輝電綫電纜(深圳)有限公司 (Sun Fair Electric Wire & Cable (Shenzhen) Company Limited), which the Company holds 100% interest.

4. We have been provided with a legal opinion in respect of the legality of the tenancy of the property issued by the Company's PRC legal adviser, which contains, inter alia, the following:–

   (i) Due to the reason of history issue, the Landlord has not yet obtained the real estate ownership certificate in question.

   (ii) The Landlord has made the necessary applications to resolve the history issue and obtain the real estate ownership certificate in question which should not be any legal impediment within a reasonable and foreseeable extent. However, the Shenzhen local government has not promulgated any regulations with respect to the time frame for dealing with the history issue and issuance of the relevant real estate ownership certificate. Given that the history issue is very common in Shenzhen and the Shenzhen local government is processing the issue, the possibility of the property being demolished or resumed by the government is not high.

   (iii) The People's Court of Shenzhen may hold the subject tenancy agreement as invalid for the reason that the property is erected on collective land and the Landlord can not provide the real estate ownership certificate in question and the relevant construction work planning permit.

   (iv) The subject tenancy agreement had been registered with the relevant government authority in the PRC, the local government will temporarily admit and permit the Landlord or the Tenant to use the property before the history issue is solved.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 June 2010 under the Companies Law. The Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted, and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [●]. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meeting shall be called by at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued share of the company other than shares held as treasury share. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 13 July 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of

Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of the Company and registration of the Company under Part XI of the Companies Ordinance

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with a limited liability on 25 June 2010. The Company has established a principal place of business in Hong Kong at Flat A-C, 9/F, Yue Cheung Centre, 1-3 Wong Chuk Yeung Street, Fotan, Shatin, New Territories, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 17 March 2011. Mr. SW Yeung of Flat C, 26th Floor, Block 1, Castello, 69 Siu Lek Yuen Road, Shatin, Hong Kong has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, its operation is subject to the Companies Law and its constitution which comprises the Memorandum and the Articles of Association. A summary of various provisions of the Company's constitutional documents and relevant aspects of the Companies Law is set out in Appendix V to this document.

2. Changes in the share capital

As at the date of incorporation, the authorised share capital of the Company was HK$380,000 divided into 380,000,000 Shares with a nominal value of HK$0.001 each. On 25 June 2010, one subscriber's Share was transferred to Fairson Holdings (BVI).

Pursuant to a resolution passed on 27 April 2011, the Company allotted and issued 34,999,999 Shares, credited as fully paid, to Fairson Holdings (BVI) as directed by Mr. Yeung in consideration of Mr. Yeung's transferring the entire issued share capital of Able One to the Company as part of the Reorganisation.

Pursuant to the written resolutions of the sole Shareholder passed on 27 April 2011, the authorised share capital of the Company was increased from HK$380,000 to HK$1,000,000 by the creation of an additional 620,000,000 Shares.

Assuming that [●] and [●] become unconditional and the issue of Shares pursuant thereto is made, the issued share capital of the Company immediately following [●] will be HK$[●] divided into [●] Shares, fully paid or credited as fully paid, with [●] Shares remaining unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme below, the Company does not have any present intention to issue any part of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid and as mentioned in the paragraphs headed "Written resolutions of the sole Shareholder passed on [●] 2011" and "Reorganisation" below, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. [●]

4. Reorganisation

The companies comprising the Group underwent the Reorganisation to rationalise the Group's structure in preparation for [●]. The Reorganisation involved the following:

(a) On 9 March 2010, Able One was incorporated in the BVI and one share of US$1.00 each was allotted and issued to Mr. Yeung.

(b) On 10 March 2010, Capital Convoy was incorporated in the BVI and one share of US$1.00 each was allotted and issued to SunFair HK on 31 March 2010.

(c) On 16 March 2010, Joint Market was incorporated in the BVI and one share of US$1.00 each was allotted and issued to SunFair HK on 31 March 2010.

(d) On 30 March 2010, Mr. Yeung entered into a sale and purchase agreement with Able One, pursuant to which, Mr. Yeung transferred the entire issued share capital in and the shareholder's loan in the principal amount of HK$537,961 owed by SunFair HK to Able One in consideration of Able One allotting and issuing a total of 2 shares of US$1.00 each to Mr. Yeung.

(e) On 31 March 2010, Mr. Yeung entered into a sale and purchase agreement with Capital Convoy, pursuant to which, Mr. Yeung transferred 50% of the entire issued share capital in and the shareholder's loan in the principal amount of HK$2,000,000 owed by SunFair Industrial to Capital Convoy in consideration of HK$1,189,273 and HK$2,000,000, respectively.

(f) On 31 March 2010, Mr. SW Yeung entered into a sale and purchase deed with Joint Market, pursuant to which, Mr. SW Yeung transferred the entire issued share capital in Logic Dynamic to Joint Market at a consideration of HK$10,000.

(g) On 12 April 2010, Fairson Holdings (BVI) was incorporated in the BVI and one share of US$1.00 each was allotted and issued to Mr. Yeung on 8 June 2010.

(h) On 31 May 2010, Mr. Li entered into a sale and purchase agreement with Capital Convoy, pursuant to which, Mr. Li transferred 50% of the entire issued share capital in SunFair Industrial to Capital Convoy at a consideration of HK$10,000,000.

(i) On 25 June 2010, the Company was incorporated in the Cayman Islands and one subscriber's Share was transferred to Fairson Holdings (BVI).

(j) On 3 March 2011, Trust BVI was incorporated in the BVI and one share of US$1.00 each was allotted and issued to Mr. Yeung.

(k) On 27 April 2011, the Company acquired 3 shares of US$1.00 each in the capital of Able One, representing the entire issued share capital of Able One, from Mr. Yeung. In consideration of such acquisition, the Company issued and allotted 34,999,999 Shares, credited as fully paid, to Fairson Holdings (BVI), as directed by Mr. Yeung.

(l) The Race Champion Trust was established as a discretionary trust by Mr. Yeung as settlor and Equity Trust as the trustee on 28 April 2011. Mr. SW Yeung is the beneficiary of The Race Champion Trust.

(m) On 27 April 2011, Mr. Yeung transferred one share of US$1.00 each, respectively the entire issued share capital of Fairson Holdings (BVI) to Trust BVI, pursuant to which, Trust BVI issued and allotted one share to Mr. Yeung as consideration of the transfer. Subsequently on [28 April 2011], Mr. Yeung transferred the entire issued share capital of Trust BVI to Equity Trust for nil consideration for the settlement of The Race Champion Trust.

5. Changes in the share capital of subsidiaries of the Company

The subsidiaries of the Company are listed in the accountant's report set out in appendix I to this document. Save as disclosed below and in the paragraph headed "Reorganisation" of this appendix, there has been no alteration in the share capital of the subsidiaries of the Company which took place within the two years immediately preceding the date of this document.

SunFair SZ

On 22 December 2009, the registered capital of SunFair SZ was increased from HK$1 million to HK$10 million.

6. [●]

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business of the Group) were entered into by members of the Group within the two years immediately preceding the date of this document and are or may be material:

(a) a sale and purchase agreement dated 30 March 2010 entered into between Mr. Yeung and Able One, pursuant to which, Mr. Yeung agreed to sell to Able One 3,000,000 shares of HK$1.00 each in the capital of SunFair HK, representing the entire issued share capital in SunFair HK and the shareholder's loan owed by SunFair HK to Mr. Yeung in consideration of Able One allotting and issuing two shares of US$1.00 each to Mr. Yeung;

(b) a sale and purchase agreement dated 31 March 2010 entered into between Mr. Yeung and Capital Convoy, pursuant to which Mr. Yeung agreed to sell to Capital Convoy 5,000 shares of HK$1.00 each in the capital of SunFair Indsutrial, representing 50% of the entire issued share capital in SunFair Industrial and the shareholder's loan in the principal amount of HK$2,000,000 owed by SunFair Industrial to Mr. Yeung in consideration of a sum equals to 50% of the net asset value of SunFair Industrial as appeared in the management account of SunFair Industrial as at 31 March 2010 and HK$2,000,000, respectively;

(c) a sale and purchase deed dated 31 March 2010 entered into between Mr. SW Yeung and Joint Market, pursuant to which Mr. SW Yeung agreed to sell to Joint Market 10,000 shares of HK$1.00 each in the capital of Logic Dynamic representing the entire issued share capital in Logic Dynamic at a consideration of HK$10,000;

(d) a sale and purchase agreement dated 31 May 2010 entered into between Mr. Li and Capital Convoy, pursuant to which Mr. Li agreed to sell 5,000 shares of HK$1.00 each in the capital of SunFair Indsutrial, representing 50% of the entire issued share capital in SunFair Industrial to Capital Convoy at a consideration of HK$10,000,000;

(e) a sale and purchase agreement dated 27 April 2011 entered into between Mr. Yeung and Trust BVI, pursuant to which Mr. Yeung agreed to sell the entire issued share capital in Fairson Holdings (BVI) to Trust BVI in consideration of Trust BVI allotting and issuing one share of US$1.00 each to Mr. Yeung;

(f) a deed of reorganization dated 27 April 2011 entered into among the Company, Mr. Yeung and Fairson Holdings (BVI), pursuant to which Mr. Yeung agreed to sell the entire issued share capital in Able One to the Company in consideration of the Company allotting and issuing 34,999,999 Shares at par to Fairson Holdings (BVI);

(g) a deed of taxation indemnity dated [●] 2011 entered into between Mr. Yeung, Trust BVI, Fairson Holdings (BVI) and the Company, pursuant to which Mr. Yeung, Trust BVI, Fairson Holdings (BVI) agreed to give certain taxation and estate duty indemnities in favour of the Company (for itself and as trustee for and on behalf of its subsidiaries) subject to and in accordance with the terms and conditions set out therein, further particulars of which are set out in the paragraph -section headed "Estate duty and tax indemnity" in this Appendix;

(h) the Non-competition Deed; and

(i) the [●].

2. Intellectual property rights of the Group

(a) Trademarks

As at the Latest Practicable Date, the Group had the following registered trademarks:

Trademark	Class *(Notes)*	Registered Owner	Place of registration	Registration Number	Registration Date	Expiry Date
. . .	9	SunFair SZ	PRC	1266288	21 April 2009	20 April 2019
] . .	9	SunFair SZ	PRC	1266289	21 April 2009	20 April 2019

(b) Patents

(i) As of the Latest Practicable Date, the Group had the following registered patents:

Title of patents	Registered Owner	Place of registration	Patent No.	Application Date	Expiry Date
Utility Model					
A type of strong current switched socket (一種強電開關插座). .	SunFair SZ	PRC	ZL200820182348.7	5 December 2008	4 December 2018
A type of scalable connection box (一種伸縮接綫盒) . . .	SunFair SZ	PRC	ZL200820177336.5	7 November 2008	6 November 2018
A type of plug-in board inlet box (一種插板接納盒) . . .	SunFair SZ	PRC	ZL200820177326.1	7 November 2008	6 November 2018
A type of anti-theft cable (一種防盜電纜)	SunFair SZ	PRC	ZL200920082075.3	26 June 2009	25 June 2019
A type of anti-theft cable (一種防盜電纜)	SunFair SZ	PRC	ZL200920082073.4	26 June 2009	25 June 2019

Title of patents	Registered Owner	Place of registration	Patent No.	Application Date	Expiry Date
A type of smart power control device and power inlet socket (一種控制電源智能通斷的裝置及電源插座) . . .	SunFair SZ	PRC	ZL200820235104.0	8 December 2008	[7 December 2018]

(ii) As at the Latest Practicable Date, the Group had applied for the registration of the following patents in the PRC:

Title of patents	Application Number	Application Date	Applicant
Utility Model			
Waterproof USB inlet sockets (防水USB插座)	201020552991.1	[30 September 2010]	SunFair SZ
Bifunctional keystroke configuration (雙功能按鍵結構)	201020552964.4	[30 September 2010]	SunFair SZ
A type of non-skill inlet socket (一種防滑脱插頭)	201020552972.9	[30 September 2010]	SunFair SZ
Waterproof controller (防水控制器)	201020553007.3	[30 September 2010]	SunFair SZ
Spin inlet socket (旋轉插座).	201020552998.3	[30 September 2010]	SunFair SZ

(c) *Domain names*

As at the Latest Practicable Date, the Group had registered the following domain name(s):

Domain name	Registrant	Expiry Date
www.sunfairw.com.hk	SunFair HK	[1 October 2019]

C. DISCLOSURE OF INTERESTS

1. Directors

(a) [●]

(b) Particulars of service contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from [●] which may be terminated by either party giving not less than three months' prior notice in writing and is subject to termination provisions therein and provisions on retirement by rotation of the Directors as set out in the Articles of Association. Particulars of the service contracts of the executive Directors are in all material respects the same. Each of the executive Directors shall be entitled to the annual fee as follows:

Name of Director	Annual director 's remuneration
Mr. Yeung	[●]
Mr. SW Yeung	[●]
Mr. Chen Tian Gang	[●]
Mr. Zhou Yu Hui	[●]

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of [three] years commencing from [●] which may be terminated by either party by giving not less than three months' prior notice in writing. Pursuant to the letters of appointment between the Company and each of Mr. Li Hin Lung, Mr. Chan Kai Wo and Mr. Chua Hoon Chong (all of whom are independent non-executive Directors), each of them is entitled to receive a director's fee of HK$[●], HK$[●] and HK$[●] per month respectively.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) Remuneration of Directors

(i) About HK$7,553,000 and HK$1,974,000 were paid to the Directors by the Group as remuneration for each of the financial years ended 31 March 2010 and 2011 respectively.

(ii) Save as disclosed in the accountant's report in Appendix I to this document, no Directors received any remuneration or benefits in kind from the Group for each of the financial years ended 31 March 2010 and 2011 respectively.

(iii) None of the Company's Directors or any past directors of any member of the Group has been paid any sum of money for each of the 2 years ended 31 March 2010 as (i) an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

(iv) Under the arrangement currently in force, conditional upon [●], the estimated aggregate remuneration (excluding discretionary bonus, if any) payable by the Group to the Directors for the financial year ending 31 March 2012 is expected to be about HK[●].

2. [●]

3. [Related party transactions

Save as disclosed in this document and in the accountant's report, the text of which is set out in Appendix I to this document, during the two years immediately preceding the date of this document, the Company had not engaged in any other material connected transactions or related party transactions.]

4. Agency fees and commissions received

Save as disclosed in this document, no commission, discounts, brokerages or other special terms were granted within two years preceding the date of this document in connection with the issue or sale of any capital of any member of the Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by the resolution of the Shareholders passed on 27 April 2010:

(a) Purpose

The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented Participants (as defined in paragraph (c) below) (the "Participants"), to strive for future developments and expansion of the Group. The Share Option 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.

(b) Conditions

The Share Option Scheme is conditional upon:

(i) the passing of an ordinary resolution by Shareholders to approve and adopt the Share Option Scheme;

(ii) [●]; and

(iii) [●]

(c) Scope of Participants and eligibility of Participants

The Board may, at its discretion, invite (collectively, the "Participants"):

(i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of the Group;

(ii) any adviser or consultant (in the areas of legal, technical, financial or corporate managerial) to the Group;

(iii) any provider of goods and/or services to the Group; or

(iv) any other person who the Board considers, in its sole discretion, has contributed to the Group,

(v) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any of those of (i), (ii), (iii) and (iv) above;

to take up Options.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(d) Acceptance of offer

Offer of an Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

(e) Subscription price

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and shall be no less than the highest of (i) the closing price of the Shares as stated in [●] on the date of the offer for the grant, which must be a business day, (ii) the average closing prices of the Shares as stated in [●] for the 5 business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

(f) Maximum number of Shares available for subscription

(i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of the Shares in issue immediately upon completion of [●], unless the Company obtains an approval from its shareholders pursuant to (ii) below.

(ii) Subject to (iv) below, the Company may seek approval of its Shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of the Shares in issue as at the date of approval to refresh such limit.

(iii) Subject to (iv) below, the Company may seek separate approval from its Shareholders in general meeting for granting Options beyond the 10% limit provided the Options granted in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such case, the Company shall send a circular to its Shareholders.

(iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company in issue must not exceed 30% (or such higher percentage as may be allowed under [●]) of the total number of Shares in issue from time to time. No Option may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such limit being exceeded.

(g) Conditions, restrictions or limitations on offers of Options

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the Option, there are neither any performance targets that need to be achieved by the grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. Subject to the provisions of the Share Option Scheme and [●], the Board may when making the offer of Options impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

(h) Maximum entitlement of Shares of each Participant

(i) Subject to paragraph (ii) below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(ii) Notwithstanding (i) above, any further grant of Options to a Participant in excess of the 1% limit shall be subject to approval by the Shareholders in general meeting with such Participant and his or her associates abstaining from voting. The number and the terms of the

Options to be granted to such Participant shall be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

(i) Grant of Options to connected persons

(i) Any grant of Options to a Participant who is a Director, chief executive or Substantial Shareholder of the Company or their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the Participant).

(ii) Where the Board proposes to grant any Option to a Participant who is a Substantial Shareholder or an independent non-executive Director, or any of their respective associates and such Option which if exercised in full, would result in such Participant becoming entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued and issuable to him or her pursuant to all Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such offer:

(1) representing in aggregate more than 0.1% of the relevant class of securities of the Company in issue on the date of such offer; and

(2) having an aggregate value, based on the closing price of the Shares at the date of such offer, in excess of HK$5,000,000,

such proposed grant of Options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to its shareholders containing all those terms as required under the GEM Listing Rules. The Participant concerned and all connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(j) Exercise of Options

An Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(k) Transferability of Options

An Option shall be personal to the grantee and shall not be transferable assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interests in favour of any third party over or in relation to any Option. Any breach of the foregoing by the grantee shall entitle the Company to cancel any Option granted to such grantee (to the extent not already exercised).

(l) If a grantee ceased to be a Participant by reason other than death or misconduct

If the grantee ceases to be a Participant for any reason other than on the grantee's death or the termination of the grantee's employment or directorship on one or more of the grounds specified in paragraph (n) below, the grantee may exercise the Option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of 9 months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company of the Group whether salary is paid in lieu of notice or not, or the last date of appointment as director of the relevant company of the Group, as the case may be, failing which it will lapse.

(m) On the death of a grantee

If the grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the grantee's employment or directorship under paragraph (n) below arises, the personal representative(s) of the grantee shall be entitled to exercise the Option up to the entitlement of such grantee at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months or such longer period as the Board may determine from the date of death, failing which it will lapse.

(n) Termination of employment of a grantee by reason of misconduct

An Option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceased to be a Participant by reason of the termination of his employment or directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to pay debts, or has become insolvent, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, or on any other grounds on which the Group would be entitled to summarily terminate his office or employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group.

(o) Voluntary winding-up of the Company

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees. Each grantee (or his or her legal personal representative(s)) may by notice in writing to the Company (such notice to be received by the Company not later than 4 business days prior to the proposed general meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and, in any event, no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(p) General offer by way of take-over

If a general offer by way of take-over is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) with the terms of the offer having been approved by the holders of not less than nine-tenths in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the grantee (or where appropriate, his or her legal personal representatives) shall be entitled to exercise the Options in full (to the extent not already exercised) even though the option period has not come into effect during the occurrence of the general offer within 21 days after the date of such notice by the offeror. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(q) Rights on a compromise or arrangement

lf a compromise or arrangement between the Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each Shareholder or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court provided that the relevant Options are not subject to a term or condition precedent to them exercisable which has not been fulfilled, exercise any of his or her Options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme.

(r) Rank pari passu

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu with the fully paid Shares in issue as from the date of allotment and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date of allotment. A Share issued upon the exercise of an Option shall not carry voting rights until the registration of the grantee (or any other person) as the holder thereof.

(s) Alteration in capital structure

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, sub-division, or reduction of share capital of the Company in accordance with legal requirements and requirements of [●], excluding any alteration in the capital structure of the Company as a result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any employee, consultant or adviser to the Group or in the event of any distribution of the Company's legal assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the Option so far as unexercised; or

(ii) the subscription price

or any combination thereof, as an independent financial adviser or the auditors of the Company shall certify in writing, either generally or as regards any particular grantee, to have, in their opinion, fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of [●] or such other guidelines or supplementary guidance as may be issued by [●] from time to time, but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

(t) Duration of the Share Option Scheme

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(u) Cancellation of Options granted

The Board may at any time at its absolute discretion cancel any Option previously granted to, but not yet exercised by the grantee. Where the Company cancels Options and offers Options to the same grantee, the offer for the grant of such new Options may only be made with available Options to the extent not yet granted (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (f) above. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Option is cancelled by the Board as provided above.

(v) Termination of the Share Option Scheme

The Company may by ordinary resolution in general meeting or the Board at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme in relation to any outstanding Options shall remain in full force and effect. All Options granted prior to such termination but not yet exercised, shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Alteration of provisions of the Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that provisions relating to the class of persons eligible for the grant of Options, the option period and all such other matters set out in [●] cannot be altered to the advantage of the Participants without the prior approval of the Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by [●] and the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of [●]. Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(x) Restrictions on the time of grant of Options

No offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of [●], in particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under [●]); and (ii) the deadline for the Company to publish announcement for its results for any year or half-year or quarterly or any other interim period (whether or not required under [●]) and ending on the date of the results announcement, no Option may be granted.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme. On the assumption.

E. OTHER INFORMATION

1. Estate duty and tax indemnity

Mr. Yeung, Trust (BVI) and Fairson Holdings (BVI) (the "Indemnifiers") have, pursuant to a deed of tax indemnity referred to in the paragraph headed "Summary of material contracts" under the section headed "Further Information about the Business of the Group" in this Appendix VI, given indemnities in favour of the Group in connection with, among other things, any taxation which might be payable by any member of the Group in respect of any incomes, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which [●] becomes unconditional (the "Effective Date").

The Indemnifiers have also pursuant to the deed of tax indemnity referred to above, given indemnities in favour of the Group in connection with, among other things, any estate duty which is or becomes payable by any member of the Group by virtue of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) by reason of the death of any person and by reason of the assets of the Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a relevant transfer to the Group or any member of the Group at any time prior to 11 February 2006 (i.e. being the date on which The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect).

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where:

(a) to the extent that provision or allowance has been made for such taxation in the audited combined accounts of the Group for the years ended 31 March 2009 and 2010 and the nine months ended 31 December 2010 (the "Accounts");

(b) the taxation falling on any member of the Group in respect of the accounting period after 1 January 2011 unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, the Indemnifiers, members of the Group or any of them (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than (i) in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Effective Date or (ii) pursuant to a legally binding commitment created on or before the Effective Date or (iii) pursuant to any statement of intention made in this document;

(c) to the extent of any provision or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or

(d) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the Effective Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of the Cayman Islands, the BVI or the PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

2. Litigation

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

3. Preliminary expenses

The preliminary expenses of the Company are estimated to be about HK$103,000 and are payable by the Company.

4. Promoters

The promoter of the Company is Mr. Yeung. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoter in connection with [●] or the related transactions described in this document.

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

6. Disclaimers

Save as disclosed in this document:

(a) none of the Directors nor [●] is interested in the promotion of the Company, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(b) none of the Directors nor [●] is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group;

(c) none of the experts named in paragraph 6 of this Appendix has any shareholding in any member in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in the Group; and

(d) none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

7. Miscellaneous

(a) Save as disclosed in this document:

(i) within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and

(iv) the Directors confirm that since 31 December 2010 (being the date to which the latest audited financial statements of the Group were made up), there has been no material adverse change in the financial or trading position or prospects of the Group.

There has not been any interruption in the business of the Group which may have or has had a material adverse effect on the financial position of the Group in the last 24 months.

(b) [●]

8. [●]