



*First Quarterly Report*

**2011**

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

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

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

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

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

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*This Report, for which the directors (the “Directors”, each a “Director”) of Fairson Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Report misleading.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the three months ended 30 June 2011, the Group recorded a total revenue of approximately HKD33,271,000 (2010: approximately HKD39,425,000), representing a decrease of approximately 16% over the corresponding period of 2010 which was mainly due to reducing market demand and intensifying market competition. Profit attributable to shareholders of the Group for the three months ended 30 June 2011 decreased by approximately 92% to approximately HKD351,000 (2010: approximately HKD4,405,000) which was mainly due to (i) reduction of a fair value gain of approximately HKD5,521,000, which was offset by a goodwill impairment of approximately HKD3,243,500, recorded in the three months ended 30 June 2010 as a result of the previously held interest in a jointly controlled entity; (ii) decrease in total revenue by approximately HKD6,154,000 which was mainly due to reducing market demand and intensifying market competition; and (iii) increase in staff cost by approximately HKD2,112,000. Basic earnings per share were approximately HKD0.1 cents (2010: approximately HKD1.1 cents).

The board of Directors (the "Board") does not recommend the payment of an interim dividend for the three months ended 30 June 2011.

During the three months ended 30 June 2011, the Group's revenue of its key product groups, including (i) power cords and inlet sockets for household electric appliances; (ii) power and data cords for mobile handsets and medical control devices; and (iii) raw cables, contributed approximately 35%, 61% and 3% to the Group's total revenue respectively (2010: approximately 33%, 58% and 8%). Revenue arising from Hong Kong and the People's Republic of China (the "PRC") markets continued to be the key contributors to the Group, taking up approximately 75% (2010: approximately 67%) of the Group's total revenue for the three months ended 30 June 2011. The remaining revenue of approximately 25% (2010: approximately 33%) for the three months ended 30 June 2011 were generated from oversea markets, including Taiwan, Brazil and the United States.

### Products

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

During the three months ended 30 June 2011, the Group's revenue from power cords and inlet sockets for household electric appliances was approximately HKD11,661,000 (2010: approximately HKD13,022,000), a decrease of approximately 10% from the same period of last year, which accounted for approximately 35% (2010: approximately 33%) of the Group's total revenue. The Group's power cords and inlet sockets used in household electric appliances have received safety approvals and/or certificates in many countries. The Group believes that the high standard of the products can meet the expectation from customers and benefit the Group's business expansion.

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

The Group's revenue from power and data cords for mobile handsets was approximately HKD16,723,000 (2010: approximately HKD17,947,000), a decrease of approximately 7% from the same period of last year, which accounted for approximately 50% (2010: approximately 46%) of the Group's total revenue.

The power and data cords for mobile handsets are generally used for power charging and data transfer. As essential accessories for all mobile handsets, the surging and advanced demand for telecommunications devices facilitated the Group to produce different specifications of mobile handsets power and data cord products with micro-A and micro-B USB connectors, which can facilitate higher data transmission speed and audiovisual output quality. All devices are conformed to the new standard of mobile handset design set by Ministry of Industry and Information Technology of the PRC.

During the three months ended 30 June 2011, revenue of the Group's medical control devices accounted for approximately 11% (2010: approximately 12%) of the Group's total revenue, amounting to approximately HKD3,687,000 (2010: approximately HKD4,836,000), representing a decrease of approximately 24% as compared to the same period of last year.

The medical control devices are multi-functional products which are exported to a customer in the United States. The devices are then used for further assembling and processing into final products which consist of pillow speakers, bed controls, bed cables and call cords to be sold to hospitals and clinics. All final products have passed the relevant United States regulatory requirements to ensure safety and security of the products.

### *Raw Cables*

Revenue from raw cables accounted for approximately 3% (2010: approximately 8%) of the total revenue, amounted to approximately HKD1,136,000 (2010: approximately HKD2,978,000), representing a decrease of approximately 62% compared to the same period of last year due to the Group's strategy to concentrate on integrated products with connectors rather than selling 2-pin raw cables.

The main raw cables produced by the Group are 2-pin power and data cords without connector plugs, which are used as power charging to mobile handsets. The Group also manufactures raw cables using halogen-free and insulation materials as there are more environmental friendly that meet the changing needs and requirement of the market.

### **OUTLOOK**

After the listing of the shares of the Company on the GEM of the Stock Exchange on 18 May 2011 (the "Listing"), the Group has successfully raised capital for further development. To cope with the Group's future development, the Group plans to acquire a piece of land and construct a new production plant in Guangdong Province, the PRC, in particular in Dongguan or Shenzhen. We believe that constructing our own production plant will serve the long-term interest of the Group as it will further enhance the Group's cost effectiveness and production efficiency. The Group plans to invest approximately HKD16.0 million and HKD7.0 million of the net proceeds from the Listing for acquisition of land and construction of new production facilities respectively. It is expected that the construction will take about one year. Certain or all of its production facilities will be relocated to the new production plant upon completion.

Moreover, the Group will continue to concentrate its efforts to grasp every opportunity brought by the flourishing telecommunications industry in the PRC. As the PRC has become the largest market of mobile handset users in the world, the Group intends to expand its sales capability in power and data cords for mobile handset products and the new micro-USB and mini-HDMI power and data cord products in the PRC market. While the Group has been widely recognized by international mobile handset providers and customers as a quality manufacturer of power and data cords in the industry, more resources are expected to be allocated on certain development projects, particularly for enhancing the data transmission speed and audiovisual output quality in power and data cords for mobile handsets in order to broaden our product portfolio.

On 8 July 2011, Brave Champ Holdings Limited, the Company's indirectly wholly-owned subsidiary entered into a capital injection agreement with the minority shareholder of the Company's subsidiary, Zing Fair Electrical Supplies Limited ("Zing Fair"). Pursuant to the capital injection agreement, an aggregate of HKD8.0 million will be contributed to Zing Fair for setting up a wholly-owned subsidiary of Zing Fair in the PRC, which will be engaged in the manufacturing and sales of copper wires and related machineries. The business of the new subsidiary is expected to complement the existing business of the Group by securing a stable supply of copper wires to the Group which is one of the principal materials of existing business.

Looking ahead, the Group will strengthen its market position by continuing to devote itself to the development, manufacture and sale of new products. The Group targets to increase promotion to its existing customers and attract other renowned mobile handset providers by actively participating in industry trade fairs and exhibitions. The Group will also strive to expand its marketing network and widen its customer base, so as to maximize the profitability of the Group.

## QUARTERLY RESULTS

FOR THE THREE MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

The Board is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2011 together with the comparative unaudited figures for the corresponding period in 2010 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 30 June	
	Note	2011 HKD	2010 HKD
<b>Revenue</b>	2	<b>33,270,582</b>	39,425,439
Cost of sales		<b>(28,173,142)</b>	(33,435,258)
<b>Gross profit</b>		<b>5,097,440</b>	5,990,181
Other (losses)/gains – net	3	<b>(196,636)</b>	6,136,051
Selling expenses		<b>(1,233,040)</b>	(843,553)
Administrative expenses		<b>(3,092,269)</b>	(6,358,512)
<b>Operating profit</b>		<b>575,495</b>	4,924,167
Finance income		<b>1,422</b>	10,286
Finance costs		<b>(146,909)</b>	(257,477)
Share of profit of a jointly controlled entity		<b>–</b>	46,493
<b>Profit before income tax</b>		<b>430,008</b>	4,723,469
Income tax expense	4	<b>(86,002)</b>	(318,010)
<b>Profit and total comprehensive income for the period</b>		<b>344,006</b>	4,405,459
<b>Profit and total comprehensive income attributable to Owners of the Company</b>		<b>351,382</b>	4,405,459
<b>Non-controlling interests</b>		<b>(7,376)</b>	–
		<b>344,006</b>	4,405,459
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	5	<b>0.1 cents</b>	1.1 cents
<b>Dividend</b>		<b>–</b>	–

NOTES TO THE QUARTERLY RESULTS

**1. BASIS OF PREPARATION**

The unaudited quarterly financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The principal accounting policies used in the quarterly financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2011.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 April 2011, the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

**2. REVENUE**

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

**3. OTHER (LOSSES)/GAINS-NET**

	<b>Three months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	2010
	<b>HKD</b>	HKD
Foreign exchange loss, net	<b>(236,724)</b>	(27,335)
Fair value gain on previously held interest in a jointly controlled entity	-	5,520,734
Fair value gain on financial assets at fair value through profit or loss	<b>10,093</b>	26,554
Management service fee income from a related party	-	612,462
Sundry income	<b>29,995</b>	3,636
	<b>(196,636)</b>	6,136,051

**4. INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period (2010:16.5%).

Sun Fair Electric Wire & Cable (Shenzhen) Company Limited, a subsidiary operating in the PRC, was eligible to a 50% reduction in corporate income tax rate during the year ended 31 March 2010 and the nine months ended 31 December 2010. The PRC corporate income tax is provided at the rate of 11% and 12% for the year ended 31 March 2010 and the nine months ended 31 December 2010 respectively. The PRC tax benefit has been expired on 31 December 2010 and the PRC corporate income tax is provided at 24% since 1 January 2011.

## 5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited profit attributable to the owners of the Company for the three months ended 30 June 2011 of HKD351,382 (three months ended 30 June 2010: HKD4,405,459) and the weighted average number of 462,967,033 (three months ended 30 June 2010: 385,000,000) shares in issue during the period. The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue on 27 April 2011 as disclosed in annual report dated 24 June 2011, as if the shares had been in issue throughout both periods. No diluted earnings per share has been presented for the three months ended 30 June 2011 and 30 June 2010 due to the absence of dilutive potential ordinary shares for the three months ended 30 June 2010 and 2011.

## 6. RESERVES

	Attributable to owners of the Company							
	Share capital/ issued equity HKD	Share premium HKD	Other reserve HKD	Statutory reserve HKD	Retained earnings HKD	Subtotal HKD	Non-controlling interest HKD	Total HKD
<b>Balance at 1 April 2010</b>	3,000,000	-	-	1,351,983	30,122,673	34,474,656	-	34,474,656
Profit and total comprehensive income for the period	-	-	-	-	4,405,459	4,405,459	-	4,405,459
Transfer to statutory reserve	-	-	-	207,394	(207,394)	-	-	-
<b>Balance at 30 June 2010</b>	3,000,000	-	-	1,559,377	34,320,738	38,880,115	-	38,880,115
<b>Balance at 1 April 2011</b>	3,000,000	-	-	2,181,559	37,315,837	42,497,396	-	42,497,396
Profit and total comprehensive income for the period	-	-	-	-	351,382	351,382	(7,376)	344,006
Reorganisation	(2,615,000)	(350,000)	2,965,008	-	-	8	-	8
Issue of shares	165,000	30,654,047	-	-	-	30,819,047	-	30,819,047
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	30	30
Transfer to statutory reserve	-	-	-	17,200	(17,200)	-	-	-
<b>Balance at 30 June 2011</b>	550,000	30,304,047	2,965,008	2,198,759	37,650,019	73,667,833	(7,346)	73,660,487

## 7. CAPITAL COMMITMENTS

Capital expenditure contracted for but not yet incurred as at 30 June 2011 is as follows:

	As at 30 June 2011 HKD	2010 HKD
Property, plant and equipment	460,000	-

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2011 (2010: Nil).

## COMPETING INTERESTS

None of the Directors or the management of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competed or might compete with the business of the Group or any other conflict of interests with the Group during the period under review.

## INTEREST AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2011, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) once the Shares are listed, or which will be required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which, once the Shares are listed, will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors are as follows:

### (i) Interest in ordinary shares of HKD0.001 each of the Company

Name of Director	Capacity/Nature of interest	Long/Short position	Number of shares interested	Approximate percentage of shareholding in the Company
Mr. Yeung Tin Hung	Settlor of a discretionary trust (note)	Long position	385,000,000	70%
Mr. Yeung Shing Wai	Beneficiary of a trust (note)	Long position	385,000,000	70%

### (ii) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Number of securities held	Approximate percentage of shareholding
Mr. Yeung Tin Hung	Race Champion Holdings Limited	Settlor of a discretionary trust (note)	2 shares	100%
Mr. Yeung Shing Wai	Race Champion Holdings Limited	Beneficiary of a trust (note)	2 shares	100%

Note: Fairson Holdings (BVI) Limited is a holding company interested in 70% of the issued share capital of the Company and is an associated corporation of the Company pursuant to the SFO. The entire issued share capital of Fairson Holdings (BVI) Limited is wholly-owned by Race Champion Holdings Limited, which is in turn wholly owned by Equity Trust (Singapore) Ltd., the trustee of The Race Champion Trust. The Race Champion Trust is a discretionary trust set up by Mr. Yeung Tin Hung as settlor and Equity Trust (Singapore) Ltd. as trustee on 28 April 2011. Mr. Yeung Shing Wai is the beneficiary of The Race Champion Trust. Mr. Yeung Tin Hung as settlor of The Race Champion Trust and Mr. Yeung Shing Wai, as beneficiary of The Race Champion Trust, are taken to be interested in the 385,000,000 shares held by Fairson Holdings (BVI) Limited pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## **SUBSTANTIAL SHAREHOLDERS**

So far as the Directors are aware, as at 30 June 2011, the following persons/companies (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Shareholder</b>	<b>Long/Short position</b>	<b>Capacity/Nature of Interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Race Champion Holdings Limited (note)	Long position	Interest in a controlled corporation	385,000,000	70%
Fairson Holdings (BVI) Limited (note)	Long position	Beneficial owner	385,000,000	70%
Equity Trust (Singapore) Ltd (note)	Long position	Trustee	385,000,000	70%

Note: These shares are registered in the name of and beneficially owned by Fairson Holdings (BVI) Limited. The entire issued share capital of Fairson Holdings (BVI) Limited is wholly-owned by Race Champion Holdings Limited, which is in turn wholly owned by Equity Trust (Singapore) Ltd., the trustee of The Race Champion Trust. The Race Champion Trust is a discretionary trust set up by Mr. Yeung Tin Hung as settlor and Equity Trust (Singapore) Ltd. as trustee on 28 April 2011. Mr. Yeung Shing Wai is the beneficiary of The Race Champion Trust.

## **SHARE OPTION SCHEME**

The Company has a share option scheme ("Scheme") which was adopted pursuant to a resolution of the sole shareholder passed on 27 April 2011 and adopted by a resolution of the Board on 27 April 2011. The purpose of the Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

The Scheme became effective on 27 April 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme, the principal terms of which were summarized in the paragraph headed "Share Option Scheme" in Appendix VI to the Company's prospectus dated 6 May 2011.

No option has been granted under the Scheme as at the date of this Report.

## **INTERESTS OF OTHER PERSONS**

So far as is known to any Director or chief executive of the Company, as at 30 June 2011, no person other than the Directors and substantial shareholders, whose interests are set out above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

## **AUDIT COMMITTEE**

The Company established an audit committee on 27 April 2011 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Li Hin Lung (the chairman of the audit committee), Mr. Chua Hoon Chong and Mr. Chan Kai Wo. The audit committee has reviewed the first quarterly results for the three months ended 30 June 2011 and has provided advice and comments thereon.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by Quam Capital Limited ("Quam"), the compliance adviser of the Company, neither Quam nor any of its directors, employees or associates (as referred to in Rule 6A.32 of the GEM Listing Rules) had any interests in the securities of the Company, or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company as at 30 June 2011. Pursuant to the compliance advisory agreement dated 6 May 2011 entered into between Quam and the Company, Quam had received and will receive fees for acting as the compliance adviser of the Company.

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

During the three months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board  
**Yeung Tin Hung**  
Chairman

Hong Kong, 11 August 2011

*As at the date of this announcement, the executive Directors are Mr. Yeung Tin Hung, Mr. Yeung Shing Wai, Mr. Zhou Yu Hui, Mr. Chen Tian Gang; the non-executive Director is Mr. Wong Chi Yung and the independent non-executive Directors are Mr. Li Hin Lung, Mr. Chua Hoon Chong and Mr. Chan Kai Wo.*