Fairson Holdings Limited
鉦皓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132

Annual Report 2012

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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The Report, for which the directors (the "Directors") of Fairson Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 the Report misleading.

Contents

Chairman's Statement

Dear Shareholders of the Company,

On behalf of the board of Directors (the "Board") of the Company and its subsidiaries (together the "Group"), I am pleased to present to our shareholders the annual results of the Group for the year ended 31 March 2012 (the "Financial Year"), after the successful listing of the Company's shares on GEM of the Stock Exchange under stock code 8132.

Year 2012 is a milestone year for the Group. The successful listing of the Company's shares on 18 May 2011 has provided us with a strong platform for further development and growth of the Group's business. We are excited to grasp this precious opportunity to grow the business leveraging on our edges. Through rapid business expansion over these years, the Group has grown to become a recognised manufacturer of power and data cords in the industry. We have also successfully won high recognition from top mobile handset providers and customers.

According to the Ministry of Industry and Information Technology of the People's Republic of China (the "PRC"), the users of mobile devices in the PRC reached 986 million in 2011, indicating that the demand for mobile devices is huge and the telecommunication industry will flourish in the coming years. The Group will continue to steadily consolidate and increase its market position in respect of telecommunication products. The Group will further intensify its marketing strategies to expand its sales capability in power and data cords for mobile handset products and in the new micro-USB and mini-HDMI power and data cord products in the PRC market as we believe that the economy of the PRC can retain a stable growth even under such unpromising global economic environment. The Group will grasp the enormous opportunities and concentrate its focus on the business in the PRC.

As one of the leading manufacturers of the power and data cords, the Group is devoted to manufacturing power and data cords for home appliances and the telecommunications industry and devices for the medical industry as the core objectives of the Group.

Last but not least, on behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all fellow Directors and our staff for their dedication to the Group's development. I would also like to thank all of our shareholders and business associates for their continuous support. The Group will continue to strive for sustainable growth in the future.

Yeung Tin Hung
Chairman
25 June 2012

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

PRINCIPAL PRODUCTION PLANT

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 WEBSITES

www.sunfairw.com.hk
www.irasia.com/listco/hk/fairson

BOARD OF DIRECTORS

Executive Directors

Mr. Yeung Tin Hung *(Chairman)*
Mr. Yeung Shing Wai
Mr. Chen Tian Gang
Mr. Zhou Yu Hui

Non-executive Director

Mr. Wong Chi Yung

Independent non-executive Directors

Mr. Li Hin Lung
Mr. Chan Kai Wo
Mr. Chua Hoon Chong

LEGAL ADVISERS

Phillips
3506, Tower 1, Lippo Centre
89 Queensway, Central, Hong Kong

AUDITOR

PricewaterhouseCoopers

STOCK CODE

8132

COMPANY SECRETARY

Ms. Cheung Sui Ping, Annie

COMPLIANCE OFFICER

Mr. Yeung Shing Wai

AUTHORISED REPRESENTATIVES

(for the purpose of the GEM Listing Rules)

Mr. Yeung Shing Wai
Ms. Cheung Sui Ping, Annie

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. Chua Hoon Chong *(Chairman)*
Mr. Yeung Tin Hung
Mr. Li Hin Lung

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER AGENT IN HONG KONG

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

Quam Capital Limited
32th Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited
11/F., Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

FINANCIAL REVIEW

Group results

For the Financial Year, the turnover of the Group was approximately HK$175.5 million, representing an increase of approximately 9.6% from approximately HK$160.2 million of the previous financial year ended 31 March 2011 (the "Previous Financial Year"). The increase in the turnover was mainly due to increase in the segment revenue of copper wires. For the Financial Year, the loss of the Group attributable to equity holders of the Company was approximately HK$9 million, representing a significant decrease compared to the profit for the Previous Financial Year of approximately HK$18 million. This significant decrease was mainly due to (i) the operating loss in the manufacturing and sale of copper wires which have yet to achieve economies of scale; (ii) the absence of a one-off fair value gain (which was partially offset by a goodwill impairment) recorded in the Previous Financial Year; (iii) the absence of management service fee income recorded in the Previous Financial Year; (iv) the decrease in the gross profit margin as a result of the increasing market competition under the global economic downturn; (v) the impairment of goodwill due to the drop of turnover for raw cables and its related power and data cords for mobile handsets under the global economic downturn and the fierce competition; (vi) the provision of aged inventories and (vii) the increased staff costs in relation to part of the increasing minimum wage level of the staff in the PRC.

The Board does not recommend the payment of the final dividend for the Financial Year.

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and sale of power and data cords. Its key product groups are (i) power cords and inlet sockets for household electric appliances; (ii) power and data cords for mobile handsets and medical control devices; (iii) raw cables; and (iv) copper wires.

Revenue in power cords and inlet sockets for household electric appliances, power and data cords for mobile handsets and medical control devices, raw cables and copper wires accounted for approximately 26.7%, 48.6%, 2.7% and 21.8% (2011: approximately 26.2%, 65.7%, 7.1% and 0%) of the total revenue of the Group, respectively, in the Financial Year.

Revenue arising from Hong Kong and the PRC markets continued to be the key contributors for the Group, representing approximately 88.1% (2011: approximately 76.5%), of the total revenue of the Group for the Financial Year. The remaining revenue of approximately 11.9% (2011: approximately 23.5%) for the Financial Year were generated from other overseas markets, including Taiwan, Brazil and the United States.

With over 20 years of experience, the Group is currently engaged in the manufacturing and sale of over 850 types of power and data cord products. The Group is also involved in the manufacturing 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.

Power cords and inlet sockets for household electric appliances

For the Financial Year, revenue from power cords and inlet sockets for household electric appliances was approximately HK$46.8 million (2011: approximately HK$42.0 million), representing an increase of approximately 11.4% from the Previous Financial Year. Revenue from this product segment accounted for approximately 26.7% (2011: approximately 26.2%) of the total revenue of the Group.

The Group's power cords and inlet sockets used in household electric appliances have received safety approvals and/or certificates in many countries, part of these products have also received eleven types of international safety standards. The Group believes that the high standard of these products can fulfill the expectations and requirements of customers and benefit the Group's business expansion.

Power and data cords for mobile handsets and medical control devices

For the Financial Year, the revenue from power and data cords for mobile handsets was approximately HK$65.5 million (2011: approximately HK$86.8 million), representing a decrease of approximately 24.5% from the Previous Financial Year. Revenue from this product segment accounted for approximately 37.3% (2011: approximately 54.2%) of the total revenue of the Group.

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

For the Financial Year, revenue from power and data cords for medical control devices was approximately HK$19.8 million (2011: approximately HK$18.5 million), representing an increase of approximately 7.0% from the Previous Financial Year. Revenue from this product segment accounted for approximately 11.3% (2011: approximately 11.5%) of the total revenue of the Group.

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

Raw cables

For the Financial Year, the revenue from raw cables was approximately HK$4.7 million (2011: approximately HK$11.3 million), representing a decrease of approximately 58.4% from the Previous Financial Year. Revenue from this product segment accounted for approximately 2.7% (2011: approximately 7.1%) of the total revenue of the Group. The decrease in revenue from raw cables was mainly due to the Group's change of strategy to concentrate on integrated products with connectors rather than 2-pin raw cables. The Group is also engaged in the manufacturing of raw cables using halogen-free insulation materials as they are more environmentally friendly and are able to adapt to the changing needs and requirements of the market.

Copper wires

For the Financial Year, the revenue from copper wires was approximately HK$38.3 million and accounted for approximately 21.8% of the total revenue of the Group. Copper rods are purchased and processed to copper wires for sale. In addition, the Group subcontracted for customers to add a tin coating on the copper wires upon their requests.

On 9 June 2011, the Group entered into a capital injection agreement with Mr. Chen Wei Chuan, an independent third party, to establish an indirect subsidiary in Hong Kong and subsequently set up a wholly-owned subsidiary in the PRC (collectively referred to as the "Zing Fair Group"), which is principally engaged in the manufacturing and sale of copper wires, at the total investment cost of HK$8 million. The copper wire business of the Group is still in its development stage, and the Group targets to improve the financial performance of the copper wire business by strengthening its production technique and restructuring its operation and marketing strategy which in turn will improve its production efficiency, cashflow burden for purchase of copper wires, lower its operating cost and improve its profitability.

OUTLOOK

The Group believes that the telecommunications industry in the PRC will expand and flourish in the coming years and will continue to concentrate its efforts to grasp such enormous opportunities. Taking into account the geographical advantage, the Group will put its focus on the business in the PRC market. The Group intends to expand its sales capability in power and data cords for mobile handset products and the new micro-USB and mini-HDMI power and data cord products in the PRC market, the largest market of mobile handset users in the world.

As a well recognized international mobile handset supplier and a quality manufacturer of power and data cords in the industry, the Group will continue to uphold its competitive edge by allocating more resources on certain development projects. Those projects mainly focus on enhancing the data transmission speed and audiovisual output quality in power and data cords for mobile handsets. The Group believes that the advanced technology can help broaden its product portfolio and enhance its competitiveness in the industry.

Looking ahead, the Group will strengthen its market position by continuing to devote itself to the development, manufacturing and sale of new products to meet market demands. The Group will continue to steadily consolidate and increase its market position in respect of telecommunication products. The Group will further intensify its marketing strategies, aiming to consolidate its current customers and to attract other renowned mobile handset providers. Besides, the Group also plans to participate in different audiovisual and electronic products exhibitions and trade fairs to explore more business opportunities and facilitate further development of the Group's micro-USB and mini-HDMI power and data cords business. The Group believes that such expansion in clientele and marketing network would help maximize the profitability of the Group.

USE OF PROCEEDS

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

	Proposed total use of proceeds as stated in the prospectus HK$'000	Proposed use of proceeds up to 31 March 2012 HK$'000	Actual use of proceeds up to 31 March 2012 HK$'000
Construction of new production plant and enhancement of production utilization (Note)	23,000	7,000	–
Product development	3,000	3,000	3,000
Expansion of market coverage	2,000	1,500	871
Subtotal	28,000	11,500	3,871
Working capital (Note)	1,600	17,600	8,400
Total	29,600	29,100	12,271

Note: In order to increase the Group's financial flexibility and to better utilize the financial resources of the Group in preparation for the uncertain financial and economic environment, the Group announced on 8 November 2011 to adjust the proposed use of net proceeds from the placing of shares of the Company, as set out in the prospectus of the Company dated 6 May 2011, of approximately HK$23.0 million for the acquisition of land and the construction of new production plant and enhancement of production utilization of approximately HK$7.0 million. The Group would construct its own production plant in other locations with lower costs than in Guangdong province and has conducted preliminary assessments in Jiangxi and Hunan provinces of the PRC, to identify suitable land for the construction of such plant. The Group expects the new production plant will enable a stable manufacturing and enhance overall cost effectiveness and production efficiency. Meanwhile, aiming at better coping with the uncertain global economy, the remaining balance of approximately HK$16.0 million will be retained as working capital of the Group and for expansion of domestic sales channel in the PRC and enhancement of production facilities.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company ("2012 Annual General Meeting") will be held on Tuesday, 31 July 2012.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2012 Annual General Meeting, the register of members of the Company will be closed from Thursday, 26 July 2012 to Tuesday, 31 July 2012, both days inclusive, during which no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Agent in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Wednesday, 25 July 2012.

EMPLOYEES' REMUNERATION POLICY

As at 31 March 2012, the Group employed 941 (2011: 600) full time management, administrative, production and development employees mainly in the PRC and Hong Kong. The Group's remuneration policy is reviewed periodically and determined with reference to market terms, the Group's performance, and an individuals' qualifications and performance. Employee benefits include medical schemes, mandatory provident fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC. The Group also provide training programs for our employees to equip them with the requisite skills and knowledge and offer a share option scheme to recognise the employees who make significant contributions.

Total staff costs including Directors' remuneration for the Financial Year amounted to approximately HK$31.7 million (2011: approximately HK$22.8 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At at 31 March 2012, the indebtedness of the Group was approximately HK$26.1 million (2011: approximately HK$15.3 million). The borrowings are denominated in Hong Kong dollars. Details of the maturity profile of the borrowings of the Group are set out in note 25 to the financial statements. The Group had bank and cash balances of approximately HK$19.9 million (2011: approximately HK$6.5 million).

At at 31 March 2012, the Group's trade receivables balance was approximately HK$52.9 million (2011: approximately HK$34.2 million), representing approximately 30.1% (2011: approximately 21.3%) of the turnover of approximately HK$175.5 million (2011: approximately HK$160.2 million) for the Financial Year. The Group adopted a stringent credit policy to minimize credit risk.

As at 31 March 2012, the ratio of current assets to current liabilities of the Group was 1.34 (2011: 1.29), and the gearing ratio of the Group was 8.7%. (2011: 17.2%). Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'Equity' as shown in the consolidated statement of financial position plus net debt.

Details of the capital structure of the Company are set out in note 22 to the financial statements.

Commitments of the Group as at 31 March 2012 are set out in note 28 to the financial statements.

EXPOSURE TO FOREIGN EXCHANGE RISK

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

PLEDGE OF ASSETS

As at 31 March 2012, the Group's following assets are pledged to secure its bank borrowings:

(a) The Group's leasehold land and buildings with an aggregate net book value of approximately HK$6,199,000 (2011: HK$4,645,000);

(b) Pledge of the Group's bank deposits with an aggregate carrying value of approximately HK$5,510,000 (2011: HK$2,524,000); and

(c) Corporate guarantees provided by the Company and its subsidiaries.

SIGNIFICANT INVESTMENTS

On 9 June 2011, the Group entered into a capital injection agreement with Mr. Chen Wei Chuan, an independent third party, to establish Zing Fair Group, which is principally engaged in the manufacturing and sale of copper wires, at the total investment cost of HK$8 million. The Group hold 70% equity interest of Zing Fair Group.

On 11 August 2011, the Group entered into a conditional sale and purchase agreement with an independent third party to acquire a 19.5% equity interest of MEMS Solutions Pte. Ltd. ("MEMS SG"), a private entity incorporated in Singapore, at a consideration of SG$540,000 (equivalent to approximately HK$3,367,000), which is engaged in the design and manufacturing of automated systems and equipment. The transaction was completed on 31 October 2011. The Group also has the option to further acquire a 40.5% equity interest of MEMS SG, which is exercisable on or before 30 June 2014. at a consideration of SG$1,120,000 (equivalent to approximately HK$6,984,000).

Save as disclosed above, the Group had no other significant investments, nor has it made any material acquisition or disposal of the Group's subsidiaries or affiliated companies during the Financial Year.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 March 2012 (2011: HK$Nil).

SEGMENT INFORMATION

Details of the segment information are set out in note 5 to the financial statements.

Report of the Directors

The Directors submit their report together with the audited financial statements for the Financial Year.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The subsidiaries of the Group and their activities are set out in note 17 to the financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Financial Year are set out in the consolidated statement of comprehensive income on page 28.

The Directors do not recommend the payment of a dividend for the Financial Year.

RESERVES

Movements in the reserves of the Group and of the Company during the Financial Year are set out in the consolidated statement of changes in equity on page 32, and note 23 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2012 amounted to approximately HK$26,954,000 (2011: HK$Nil), calculated under the companies law of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

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

Neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercised any conversion or subscription rights under any convertible securities, options, warrants or similar rights during the Financial Year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 88 of the annual report.

SHARE OPTION SCHEME

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

The Scheme became effective on 27 April 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the scheme. The terms of the Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

Eligible participants (the "Participants") of the Scheme include the following:

(a) 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;

(b) any adviser or consultant (in the areas of legal, technical, financial or corporate managerial) to the Group;

(c) any provider of goods and/or services to the Group;

(d) any other person who the Board considers, in its sole discretion, has contributed to the Group; and

(e) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any of those of (a), (b), (c) and (d) above;

As at the date of this report, the total number of the shares of the Company (the "Shares") available for issue under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue of the Company on the day on which trading of the Shares commenced on the Stock Exchange, i.e. 55,000,000, representing 10% of the issued share capital of the Company as at the date of listing.

The maximum number of the Shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each Participant (other than a substantial shareholder, chief executive or Director as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the GEM Listing Rules), are subject to approval by the independent non-executive Directors in advance (excluding any independent non-executive Director who is a grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their respective associates in excess of 0.1% of the Shares in issue with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, in the 12-month period up to and including the date of grant, are subject to the shareholders' approval in the general meeting.

The offer of a grant of share options may be accepted by a Participant within 28 days from the date of offer upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the conditional adoption of the Scheme by the sole shareholder subject to the provisions for early termination under the Scheme.

The subscription price for the Shares under the 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 the Stock Exchange's daily quotations sheet 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 the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of the Share.

Subject to the earlier termination of the Scheme in accordance with the Scheme rules, the Scheme will remain effective until 26 April 2021.

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

Apart from the aforesaid, at no time during the Financial Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and substantial shareholders or any of their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS

The Directors during the Financial Year and up to the date of this report were:

Executive Directors

Mr. Yeung Tin Hung *(Chairman)*
Mr. Yeung Shing Wai
Mr. Chen Tian Gang
Mr. Zhou Yu Hui

Non-executive Director

Mr. Wong Chi Yung	(appointed on 3 June 2011)

Independent Non-executive Directors

Mr. Li Hin Lung	(appointed on 27 April 2011)
Mr. Chan Kai Wo	(appointed on 27 April 2011)
Mr. Chua Hoon Chong	(appointed on 27 April 2011)

In accordance with Article 84(1) of the Company's Articles of Association, Messrs. Lin Hin Lung, Chan Kai Wo and Chua Hoon Chong will retire by rotation at the 2012 Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2012 Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Financial Year or at any time during the Financial Year.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of Directors are as follows:

Executive Directors

Mr. Yeung Tin Hung, aged 55, has been appointed as an executive Director and the Chairman since 25 June 2010. Mr. Yeung Tin Hung has accumulated over 25 years of experience in the power and data cord industry. From 1982 to 1987, he worked in Ming Tak Electrical Co (which was principally engaged in the manufacturing of power cords) and was responsible for the management and production. He then set up Sun Fair Electric Wire & Cable Company Limited in 1990 and was responsible for production management and product engineering and development. He is currently responsible for overall strategic planning and direction of the Group.

Mr. Yeung Shing Wai, aged 26, has been appointed as an executive Director since 23 November 2010. He is also the compliance officer and authorised representative of the Company in compliance with the GEM Listing Rules. He is currently the senior manager of the Group and has been responsible for the management of finance, sales and marketing of the Group since February 2009. Mr. Yeung Shing Wai has about seven years of experience in the power and data cord industry since he joined the Group in 2004. He served as a manager in the sales and marketing department of the Group from January 2004 to February 2009. Mr. Yeung Shing Wai is the son of Mr. Yeung Tin Hung.

Mr. Chen Tian Gang, aged 38, has been appointed as an executive Director since 23 November 2010. He has also 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 graduating from 福建農林大學 (Fujian Agricultural and Forestry University formerly known as 福建農業大學), 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 寶安區松崗三輝電線廠 (Baoan District Songgang Sun Fair Wire Factory) in 1995 and has over 15 years of experience in the power and data cord industry. Mr. Chen is the nephew of Mr. Yeung Tin Hung.

Mr. Zhou Yu Hui, aged 34, has been appointed as an executive Director since 23 November 2010. He is currently the head of the procurement department of the Group and has been responsible for the management of inventories and procurement of raw materials of the Group since June 2002. He has served in the procurement department for about nine years since joining the Group in 2002. Mr. Zhou is the brother-in-law of Mr. Chen Tian Gang.

Non-executive Director

Mr. Wong Chi Yung, aged 28, has been appointed as a non-executive Director since 3 June 2011. Mr. Wong started his career in an international accounting firm for over 2 years focusing on assurance and advisory business services. He was subsequently engaged as an operation controller in a company listed on the main board of the Stock Exchange, which is mainly engaged in the cinema business in the PRC. Mr. Wong holds a bachelor degree of business administration in Management of Organizations and Finance from Hong Kong University of Science and Technology.

Independent Non-executive Directors

Mr. Li Hin Lung, aged 46, has been appointed as an independent non-executive Director since 27 April 2011. Mr. Li has over 12 years of experience in audit, tax advisory and company secretarial services. Mr. Li was employed by K.L Lee & Partners C.P.A. Limited as a senior auditor from 1997 to 2000. In 2000, Mr. Li started his own accounting firm and provided audit, tax advisory and company secretarial services. In 1991, Mr. Li obtained a higher certificate in accountancy from Hong Kong Polytechnic, currently known as the Hong Kong Polytechnic University. He is an associate of the Hong Kong Institute of Certified Public Accountants, an associate of the Association of Chartered Certified Accountants and a Certified Tax Adviser of the Taxation Institute of Hong Kong.

Mr. Chan Kai Wo, aged 50, has been appointed as an independent non-executive Director since 27 April 2011. He has been the director of the toys & hobbies department of The Refined Industry Co., Ltd since April 2011. In 1983, he obtained his higher diploma in mechanical engineering from Hong Kong Polytechnic, currently known as Hong Kong Polytechnic University. He joined the group companies of Wong's International (Holdings) Limited in 1983 and from 1983 to 1993, he served in different positions such as mechanical engineer, assistant engineering manager, mechanical engineering manager and project manager 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 International (Holdings) Limited is listed on the Stock Exchange. 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 the design and engineering activities. From January 2002 to February 2011, he worked as a general manager for Ameroll Metal Products Co., Ltd and was responsible for overseeing all its functional departments and coordinating its strategic planning functions.

Mr. Chua Hoon Chong, aged 56, has been appointed as an independent non-executive Director since 27 April 2011. Mr. Chua has over 30 years of experience in the mechanical engineering industry. Mr. Chua was a mechanical engineer in the research and development department of Thomson Consumer Electronics Asia Pte Ltd. from 1980 to 1991. In 1992, Mr. Chua joined Emerson Network Power (Hong Kong) Limited (a subsidiary of Emerson Electric Co, a New York Stock Exchange listed company) as a principal mechanical engineer in the high power product design team, and was a mechanical engineering manager in the technical core engineering group when he left Emerson Network Power (Hong Kong) Limited in January 2009. Mr. Chua is a specialist in designing printed circuit board, cabling and plastic box.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2012, the interests or short positions of the Directors, chief executives of the Company or their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors are as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Yeung Tin Hung	Settlor of a discretionary trust (Note)	385,000,000	70%
Mr. Yeung Shing Wai	Beneficiary of a trust (Note)	385,000,000	70%

(ii) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of securities held	Approximate percentage of shareholding in the Company
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 deemed to be an associated corporation pursuant to the SFO. The entire issued share capital of Fairson Holdings (BVI) Limited is wholly-owned by Race Champion Holdings Limited, which is in turn wholly-owned by Equity Trust (Singapore) Ltd., the trustee of The Race Champion Trust. The Race Champion Trust is a discretionary trust set up by Mr. Yeung Tin Hung as settlor and Equity Trust (Singapore) Ltd. as trustee on 28 April 2011. Mr. Yeung Shing Wai is the beneficiary of The Race Champion Trust. Mr. Yeung Tin Hung as settlor of The Race Champion Trust and Mr. Yeung Shing Wai, as beneficiary of The Race Champion Trust, are taken to be interested in the 385,000,000 shares held by Fairson Holdings (BVI) Limited pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 March 2012, none of the Directors, chief executives of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 31 March 2012, the following entities or persons (not being the Director or chief executive of the Company) had interests and short positions of 5% or more in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the Section 336 of the SFO:

Long positions in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Equity Trust (Singapore) Ltd.	Trustee	385,000,000	70%
Race Champion Holdings Limited	Interest in a controlled corporation	385,000,000	70%
Fairson Holdings (BVI) Limited	Registered owner	385,000,000	70%
CNI Capital Ltd	Beneficial owner	54,040,000	9.83%

Note:

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

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Financial Year.

CHARITABLE DONATIONS

During the Financial Year, the Group did not make any charitable donation (2011: Nil).

MAJOR SUPPLIERS AND CUSTOMERS

The information in respect of the Group's total purchases and sales attributable to the Group's major suppliers and customers respectively during the Financial Year is as follows:

	Percentage of the Group's total
Purchases	
– the largest supplier	30.9%
– five largest suppliers in aggregate	56.4%
Sales	
– the largest customer	16.3%
– five largest customers in aggregate	65.3%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest suppliers or customers.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation from each independent non-executive Director confirming his independence pursuant to rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

CONNECTED TRANSACTIONS

A summary of the related parties transactions entered into by the Group during the Financial Year is contained in Note 30 to the financial statements. No transactions entered during the Financial Year fall under the definition of connected transactions under the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Directors believe that the number of securities of the Company which are in the hands of the public is above the relevant prescribed minimum percentage under the GEM Listing Rules.

COMPETING BUSINESS

None of the Directors, the compliance adviser and the substantial shareholders of the Company is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Financial Year and up to and including the date of this report.

EMOLUMENTS POLICY

The emolument policy for the employee of the Group is set up by the management on the basis of their merit, qualifications and competence.

The emoluments of the Directors for the Financial Year are decided by the Board, having regard to the Group's operating results, their duties and responsibilities of the Group, individual performance and comparable market statistics, and have been reviewed by the remuneration committee of the Company during the Financial Year.

EVENTS AFTER THE REPORTING DATE

The Group has not incurred any significant events after the reporting date.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers will retire as auditors of the Company at the conclusion of the 2012 Annual General Meeting, and a resolution to appoint auditors of the Company will be considered at such annual general meeting.

On behalf of the Board

Yeung Tin Hung
Chairman
Hong Kong, 25 June 2012

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the Financial Year. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Code on Corporate Governance Practices in Appendix 15 to the GEM Listing Rules (the "CG Code").

Throughout the period from the date of listing of the Shares on the GEM of the Stock Exchange on 18 May 2011 (the "Listing Date") to the Financial Year, the Company had complied with the code provisions in the CG Code with the exception of the CG Code provision A.2.1. Details of such deviation will be explained below.

BOARD OF DIRECTORS

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the internal control policies of the Group and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the shareholders' value.

The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors. During the Financial Year, the Board held nineteen meetings. Individual attendance of each Board member at the Board meetings held during the Financial Year is as follows:

Name	Attended/eligible to attend
Executive Directors	
Mr. Yeung Tin Hung *(Chairman)*	18/19
Mr. Yeung Shing Wai	17/19
Mr. Zhou Yu Hui	8/19
Mr. Chen Tian Gang	10/19
Non-executive Director	
Mr. Wong Chi Yung*	7/13
Independent Non-executive Directors	
Mr. Li Hin Lung#	7/19
Mr. Chua Hoon Chong#	8/19
Mr. Chan Kai Wo#	6/19

* Note: Mr. Wong Chi Yung was appointed as the non-executive Director on 3 June 2011.
# Note: All independent non-executive Directors were appointed on 27 April 2011.

In compliance with Rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed sufficient number of independent non-executive Directors (the "INED") with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The INEDs, together with the executive Directors and non-executive Director, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards and that appropriate systems are in place to protect the interests of the Company and its shareholders.

The term of appointment of each non-executive Director is for a period of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

The biographical details of the Directors are set out in the section "Biographical Details of Directors" in the Report of the Directors of this annual report. Their relationships are as follows: Mr. Yeung Shing Wai is the son of Mr. Yeung Tin Hung; Mr. Chen Tian Gang is the nephew of Mr. Yeung Tin Hung; and Mr. Zhou Yu Hui is the brother-in-law of Mr. Chen Tian Gang.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code provision A.2.1 stipulates that the roles of the chairman of the Board (the "Chairman") and the chief executive officer (the "CEO") should be separate and should not be performed by the same individual. Mr. Yeung Tin Hung was the Chairman and the CEO during the Financial Year, responsible for the management of the Board and the operation of the Group. The Board considered that Mr. Yeung Tin Hung has thorough understanding and expertise regarding the business operations of the Group and thus enabling him to make appropriate decisions which are in the interests of the shareholders of the Company as a whole on a timely manner. Considering the present size of the Company and the scope of business of the Group, there is no imminent need to separate the roles of the Chairman and the CEO. However, the Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of the Chairman and the CEO is necessary.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required Standards of Dealings"). The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the Required Standards of Dealings throughout the period from the Listing Date to the Financial Year.

COMMITTEES

As part of the corporate governance practices, the Board has established the remuneration committee, nomination committee and audit committee. The composition of all the committees is set out below. The terms of reference of all committees are established in accordance with the principles set out in the CG Code.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 27 April 2011 with written terms of reference. The remuneration committee currently comprises one executive Director and two INEDs.

The primary duties of the remuneration committee are formulating remuneration policies, determining the specific remuneration packages of executive Directors and senior management and making recommendations to the Board on the remuneration of all Directors.

During the Financial Year, the remuneration committee held three meetings. Individual attendance of each member at the committee meetings held during the Financial Year is as follows:

Name	Attended/eligible to attend
Executive Director	
Mr. Yeung Tin Hung*	3/3
Independent Non-executive Directors	
Mr. Chua Hoon Chong *(Chairman)**	2/3
Mr. Li Hin Lung	2/3

* Note: The chairman of the remuneration committee was re-designated from Mr. Yeung Tin Hung to Mr. Chua Hoon Chong on 29 March 2012.

NOMINATION COMMITTEE

The Company established a nomination committee on 27 April 2011 with written terms of reference. The nomination committee currently comprises one executive Director and two INEDs.

The primary duties of the nomination committee are reviewing the structure, size and composition of the Board, formulating relevant procedures for nomination of directors, identifying qualified individuals to become members of the Board and making recommendation to the Board on the appointment or re-appointment of Directors.

During the Financial Year, the nomination committee held two meetings. Individual attendance of each member at the committee meetings held during the Financial Year is as follows:

Name	Attended/eligible to attend
Executive Directors	
Mr. Yeung Tin Hung *(Chairman)*	2/2
Independent Non-executive Directors	
Mr. Li Hin Lung	2/2
Mr. Chua Hoon Chong	1/2

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 INEDs.

The results of the Group for the Financial Year have been reviewed by the audit committee members who have provided advice and comments thereon.

The primary duties of the audit committee are to supervise the internal control policies, the financial reporting systems and procedures of the Group, to review the financial statements and reports of the Group, and to review the terms of engagement and scope of audit work of the external auditors.

During the Financial Year, the audit committee held four meetings. Individual attendance of each member at the committee meetings held during the Financial Year is as follows:

Name	Attended/eligible to attend
Independent Non-executive Directors	
Mr. Li Hin Lung *(Chairman)*	4/4
Mr. Chua Hoon Chong	4/4
Mr. Chan Kai Wo	2/4

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for overseeing the preparation of the financial statements of the Company and the Group. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The statement of the external auditor of the Group about their reporting responsibilities on the consolidated financial statements for the Financial Year is set out in the Independent Auditor's Report of this annual report.

During the Financial Year, remuneration paid and payable to the external auditors of the Group is approximately HK$1.1 million and approximately HK$0.14 million for the audit and other professional services respectively.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the shareholders of the Company and the assets of the Group against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The audit committee reviewed the overall effectiveness of the internal control system and reported its findings and made recommendations to the Board. The Directors have conducted a review of the effectiveness of the Group's internal control system for the Financial Year. The Board would continue to assess the effectiveness of internal controls by considering reviews performed by the audit committee and executive management.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to the shareholders and investor relations. The Company updates the shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate websites of the Company (www.sunfairw.com.hk and www.irasia.com/listco/hk/fairson) have provided effective communication platforms to the public and the Shareholders.

羅兵咸永道

TO THE SHAREHOLDERS OF FAIRSON HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Fairson Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 87, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 June 2012

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Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Note	2012 HK$	2011 HK$
Turnover	5	**175,497,631**	160,212,607
Cost of sales		**(159,039,622)**	(126,299,803)
Gross profit		**16,458,009**	33,912,804
Other (losses)/gains-net	6	**(1,594,050)**	5,795,739
Selling expenses		**(4,758,295)**	(5,190,804)
Administrative expenses		**(18,880,966)**	(12,772,645)
Operating (loss)/profit	7	**(8,775,302)**	21,745,094
Finance income	9	**16,529**	43,260
Finance costs	9	**(726,885)**	(805,922)
Share of profit of a jointly controlled entity		**–**	46,494
(Loss)/profit before income tax		**(9,485,658)**	21,028,926
Income tax expense	10	**(1,144,137)**	(3,006,186)
(Loss)/profit for the year		**(10,629,795)**	18,022,740
Other comprehensive income:			
Change in value of available-for-sale financial assets		**(191,847)**	–
Currency translation differences		**263,617**	–
Total comprehensive (loss)/income for the year		**(10,558,025)**	18,022,740
(Loss)/profit attributable to:			
Equity holders of the Company		**(9,002,422)**	18,022,740
Non-controlling interest		**(1,627,373)**	–
		(10,629,795)	18,022,740
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(8,993,401)**	18,022,740
Non-controlling interest		**(1,564,624)**	–
		(10,558,025)	18,022,740
(Loss)/earnings per share attributable to equity holders of the Company during the year (expressed in HK cents per share) – Basic and diluted	13	**(1.67)**	4.68
Dividend	12	**–**	10,000,000

The notes on pages 34 to 87 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2012

	Note	2012 HK$	2011 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	14	**28,008,676**	16,708,778
Goodwill	15	**7,891,161**	11,041,467
Available-for-sale financial assets	16	**2,541,278**	–
Other non-current assets	19	**650,000**	–
		39,091,115	27,750,245
Current assets			
Inventories	18	**21,738,090**	17,662,321
Trade and other receivables	19	**56,147,289**	42,411,351
Amount due from a related company	30	**–**	7,128
Amounts due from directors	30	**–**	242,900
Financial assets at fair value through profit or loss	20	**839,660**	1,016,838
Pledged deposits	21	**5,510,226**	2,523,824
Cash and cash equivalents	21	**19,921,494**	6,507,341
		104,156,759	70,371,703
Total assets		**143,247,874**	98,121,948
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	**550,000**	–
Reserves	23	**63,034,410**	42,497,396
		63,584,410	42,497,396
Non-controlling interest		**835,376**	–
Total equity		**64,419,786**	42,497,396

Consolidated Statement of Financial Position

As at 31 March 2012

	Note	2012 HK$	2011 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	25	**–**	145,031
Deferred income tax liabilities	26	**973,694**	873,585
		973,694	1,018,616
Current liabilities			
Trade and other payables	24	**39,736,598**	33,538,396
Amount due to a director	30	**4,207,422**	–
Amount due to a related party	30	**1,241,812**	–
Current income tax liabilities		**6,576,464**	5,907,802
Borrowings	25	**26,092,098**	15,159,738
		77,854,394	54,605,936
Total liabilities		**78,828,088**	55,624,552
Total equity and liabilities		**143,247,874**	98,121,948
Net current assets		**26,302,365**	15,765,767
Total assets less current liabilities		**65,393,480**	43,516,012

Approved by the Board of Directors on 25 June 2012

Yeung Tin Hung	**Yeung Shing Wai**
Director	*Director*

The notes on pages 34 to 87 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March 2012

	Note	2012 HK$	2011 HK$
ASSETS			
Non-current asset			
Investment in a subsidiary	17	**28,067,442**	–
Current assets			
Prepayments		**161,353**	5,000
Total assets		**28,228,795**	5,000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	**550,000**	–
Reserves	23	**26,954,095**	(155,000)
Total equity		**27,504,095**	(155,000)
LIABILITIES			
Current liabilities			
Accruals and other payables		**420,500**	–
Amount due to a subsidiary	30	**304,200**	–
Amount due to a related company	30	**–**	160,000
Total liabilities		**724,700**	160,000
Total equity and liabilities		**28,228,795**	5,000
Net current liabilities		**(563,347)**	(155,000)
Total assets less current liabilities		**27,504,095**	(155,000)

Approved by the Board of Directors on 25 June 2012

Yeung Tin Hung
Director

Yeung Shing Wai
Director

The notes on pages 34 to 87 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to equity holders of the Company								
	Share capital HK$	**Share premium** HK$	**Statutory reserve** HK$	**Other reserve** HK$	**Translation reserve** HK$	**Retained earnings** HK$	**Total** HK$	**Non-controlling interest** HK$	**Total** HK$
Balance at 1 April 2010	–	–	1,351,983	–	–	33,122,673	34,474,656	–	34,474,656
Profit and total comprehensive income for the year	–	–	–	–	–	18,022,740	18,022,740	–	18,022,740
Dividend (Note 12)	–	–	–	–	–	(10,000,000)	(10,000,000)	–	(10,000,000)
Transfer to statutory reserve	–	–	829,576	–	–	(829,576)	–	–	–
Balance at 31 March 2011	–	–	2,181,559	–	–	40,315,837	42,497,396	–	42,497,396
Balance at 1 April 2011	**–**	**–**	**2,181,559**	**–**	**–**	**40,315,837**	**42,497,396**	**–**	**42,497,396**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(9,002,422)**	**(9,002,422)**	**(1,627,373)**	**(10,629,795)**
Other comprehensive income:									
Change in value of available-for-sale financial assets	**–**	**–**	**–**	**(191,847)**	**–**	**–**	**(191,847)**	**–**	**(191,847)**
Currency translation differences	**–**	**–**	**–**	**–**	**200,868**	**–**	**200,868**	**62,749**	**263,617**
Total comprehensive loss for the year	**–**	**–**	**–**	**(191,847)**	**200,868**	**(9,002,422)**	**(8,993,401)**	**(1,564,624)**	**(10,558,025)**
Issuance of shares upon placing, net of share of issuance expenses (Note 22)	**550,000**	**29,530,415**	**–**	**–**	**–**	**–**	**30,080,415**	**–**	**30,080,415**
Capital contribution from non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,400,000**	**2,400,000**
Transfer to statutory reserve	**–**	**–**	**320,476**	**–**	**–**	**(320,476)**	**–**	**–**	**–**
Balance at 31 March 2012	**550,000**	**29,530,415**	**2,502,035**	**(191,847)**	**200,868**	**30,992,939**	**63,584,410**	**835,376**	**64,419,786**

The notes on pages 34 to 87 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Note	2012 HK$	2011 HK$
Cash flows from operating activities			
Cash (used in)/generated from operations	27	**(5,574,387)**	24,547,962
Income tax paid		**(375,366)**	(1,556,723)
Net cash (used in)/generated from operating activities		**(5,949,753)**	22,991,239
Cash flows from investing activities			
Purchase of property, plant and equipment		**(16,786,194)**	(3,993,475)
Proceeds from disposal of property, plant and equipment	27	**15,210**	110,000
Proceeds from disposal of financial assets through profit and loss		**1,040,186**	–
Increase in pledged deposits		**(2,986,402)**	(10,189)
Acquisition of a subsidiary		**–**	(4,931,306)
Acquisition of financial assets		**(3,777,277)**	–
Payment for non-current assets		**(650,000)**	–
Interest received		**16,529**	43,260
Net cash used in investing activities		**(23,127,948)**	(8,781,710)
Cash flows from financing activities			
Proceeds from issuance of shares upon placing, net of share issuing expenses		**30,080,415**	–
Proceeds from borrowings		**38,194,234**	30,765,435
Repayments of borrowings		**(27,406,905)**	(41,778,367)
Repayment of loan by a jointly controlled entity		**–**	2,000,000
Capital contribution by a non-controlling interest		**2,400,000**	–
Interest paid		**(726,885)**	(805,922)
Dividend paid	12	**–**	(10,000,000)
Net cash generated from/(used in) financing activities		**42,540,859**	(19,818,854)
Net increase/(decrease) in cash and cash equivalents		**13,463,158**	(5,609,325)
Exchange losses on cash and cash equivalents		**(49,005)**	–
Cash and cash equivalents at beginning of year	21	**6,507,341**	12,116,666
Cash and cash equivalents at end of year	21	**19,921,494**	6,507,341

The notes on pages 34 to 87 form an integral part of these financial statements.

1 GENERAL INFORMATION AND REORGANISATION

1.1 General information

Fairson Holdings Limited (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. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located in Flat A-C, 9th Floor, Yue Cheung Centre, 1-3 Wong Chuk Yeung Street, Fotan, Shatin, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and sale of power and data cords, raw cables and copper wires in Hong Kong and the People's Republic of China (the "PRC").

The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 May 2011.

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 25 June 2012.

1.2 Reorganisation

Before completion of the following reorganisation steps (the "Reorganisation"), the manufacturing and sale of power and data cords business (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 year ended 31 March 2011.

In preparation for the listing of the Company's shares on the GEM, the Reorganisation was carried out to transfer the Power Cable and Electric Cord Business and its related assets to the Company:

(a) Able One Investments Limited ("Able One") was incorporated in the British Virgin Islands ("BVI") 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.

1 GENERAL INFORMATION AND REORGANISATION (CONTINUED)

1.2 Reorganisation (Continued)

(b) Joint Market Limited ("Joint Market") was incorporated in BVI 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 HK$10,000 which was satisfied by cash. Mr. Yeung Shing Wai held the entire issued share capital in Logic Dynamic since its incorporation. Logic Dynamic operates 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.

(c) Capital Convoy Limited ("Capital Convoy") was incorporated in BVI 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 HK$1,189,273 which was satisfied by cash.

(d) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Pursuant to the Reorganisation as described in Note 1.2, the Reorganisation was accounted for as a reorganisation of business under common control, using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The assets and liabilities transferred to the Group have been stated at historical carrying amounts. The consolidated financial statements have been prepared as if the Company and the current structure had been in existence as at all dates and during the years presented.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"). These financial statements have been prepared under the historical cost convention, as modified by the available-for-sale financial assets and financial assets at fair value through profit and loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The preparation of these financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 4 below.

(a) Amendments and interpretations to existing standards effective in 2011 but has no impact to the Group's results and financial position:

– HKAS 24 (Revised), 'Related Party Disclosure'
– HK(IFRIC)-Int 14, 'Prepayments of A Minimum Funding Requirements'
– HKAS 32 (Amendment), 'Classification of Right Issue'
– HKFRS1 (Amendment), 'Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters'
– HK(IFRIC)-Int 19, 'Extinguishing Financial Liabilities with Equity Instruments'
– Annual Improvements Project, 'Third Annual Improvements Projects (2010)' Published in May 2010

(b) The following new and revised standards have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted. The Group is assessing the impact of these standards. The Group will apply these standards from their effective dates.

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of underlying Assets	1 January 2012
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interest in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKAS 19 (Revised)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013

Apart from the above, a number of improvements and minor amendments to HKFRSs have also been issued by the HKICPA but they are not yet effective for the accounting period ended 31 March 2012 and have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Except for business combination under common control, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.3 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 Company's executive directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

(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 consolidated financial statements is presented in HK$, which is also the company's functional and the Group's presentation 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 the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents, trade and other receivables and trade and other payables are presented in the consolidated statement of comprehensive income within 'other (losses)/gains – net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

2.5 Property, plant and equipment

Leasehold land classified as finance lease and all other property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see Note 2.7). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, 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 charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Unexpired term of land lease
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

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 2.7).

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 consolidated statement of comprehensive income.

2.6 Goodwill

Goodwill arises on the acquisition of a jointly controlled entity and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, is not subject to amortisation and is tested annually for impairment. Assets that are subject to amortisation 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.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. 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 the amounts that are settled or expected to be settled more 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' in the consolidated statement of financial position (Note 2.12).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(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 consolidated 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. Available-for-sale financial assets and 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 consolidated 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 consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as 'other (losses)/gains-net'.

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets

(a) 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 the consolidated statement of comprehensive income. 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 the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of comprehensive income – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

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 recognised initially 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the consolidated statement of comprehensive income 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.

All borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

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 consolidated statement of comprehensive income, 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

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 consolidated financial statements. However, deferred income tax liabilities are not recognised if they arises from the initial recognition of goodwill, the deferred income tax is not accounted for 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 reporting date 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 obligations

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 the consolidated statement of comprehensive income 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.

Pursuant to the relevant local regulations in the PRC, the PRC subsidiaries of the Group participate in government retirement benefit schemes and are 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 consolidated statement of comprehensive income as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

(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 equity holders 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 is measured at the fair value of the consideration received or receivable for the sale of goods 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; when 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 of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (Continued)

(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 the consolidated statement of comprehensive income 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 equity holders is recognised as a liability in the 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 major in Hong Kong and the PRC and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the Renminbi ("RMB"). 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 entered into foreign exchange forward contracts with external financial institutions to mitigate such foreign exchange risks. The Group also mitigates this risks by maintaining HK$, United States dollar ("US$") and RMB bank accounts to pay for the transactions denominated in these currencies.

As at 31 March 2012, if HK$ had weakened/strengthened by 3.5% against RMB, with all other variables held constant, the Group's loss after tax for the year would have been increased/decreased by approximately HK$76,000 (2011: profit after tax decreased/increased by approximately HK$143,000), mainly as a result of foreign exchange losses/gains on translation of RMB 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 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 has not hedged its cash flow interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 25.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

As at 31 March 2012, if the interest rate on borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's loss after tax for the year would have been increased/decreased by approximately HK$129,000 (2011: profit after tax decreased/increased by HK$31,000), mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(iii) Price risk

The Group is exposed to equity securities price risk because of the investments held by the Group and classified on the consolidated statement of financial position either as available-for-sale financial assets or financial assets at fair value through profit or loss. The Group is 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.

(b) Credit risk

The Group's credit risk is primarily attributable to deposits with banks, trade and other receivables, investments and cash transactions entered into for risk management purposes. Management has credit 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 120 days from the end of month of invoice unless there is a separate mutual agreement on extension of the credit period. The Group maintains 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 19.

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 2012, 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 2012, the Group had a concentration of credit risk as the top 5 customers accounted for 43% (2011: 83%) of the Group's total year end trade receivables balance. However, the Group does 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 consolidated statement of financial position.

(c) Liquidity risk

The Group'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 has sufficient committed facilities to fund their operations.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the consolidated statement of financial position date to the contractual maturity date of the Group'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 at the year end date and the earliest date the Group can be required to pay):

	Within 1 year or on demand HK$	More than 1 year but within 2 years HK$	Total HK$
At 31 March 2012			
Trade and other payables	**39,736,598**	**–**	**39,736,598**
Amount due to a director	**4,207,422**	**–**	**4,207,422**
Amount due to a related party	**1,241,812**	**–**	**1,241,812**
Borrowings	**26,532,011**	**–**	**26,532,011**
Total	**71,717,843**	**–**	**71,717,843**
At 31 March 2011			
Trade and other payables	33,538,396	–	33,538,396
Borrowings	15,475,652	148,048	15,623,700
Total	49,014,048	148,048	49,162,096

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at 31 March 2012, 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 end date 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
	HK$	HK$	HK$	HK$	HK$
At 31 March 2012					
Trade and other payables	**39,736,598**	**–**	**–**	**–**	**39,736,598**
Amount due to a director	**4,207,422**	**–**	**–**	**–**	**4,207,422**
Amount due to a related party	**1,241,812**	**–**	**–**	**–**	**1,241,812**
Borrowings	**16,424,989**	**5,700,651**	**3,889,196**	**961,554**	**26,976,390**
Total	**61,610,821**	**5,700,651**	**3,889,196**	**961,554**	**72,162,222**
At 31 March 2011					
Trade and other payables	33,538,396	–	–	–	33,538,396
Borrowings	9,374,085	2,614,957	2,743,101	1,288,519	16,020,662
Total	42,912,481	2,614,957	2,743,101	1,288,519	49,559,058

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's primary objectives when managing capital risk are to safeguard the Group's ability to continue as a going concern in order 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 consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'Equity' as shown in the consolidated statement of financial position plus net debt.

During 2012, the Group's strategy, which was unchanged from 2011, was to lower the gearing ratio to an acceptable level of less than 30%. The gearing ratios at 31 March 2012 and 2011 were as follows:

	2012	2011
	HK$	HK$
Total borrowings (Note 25)	**26,092,098**	15,304,769
Less: Cash and cash equivalents (Note 21)	**(19,921,494)**	(6,507,341)
Net debt	**6,170,604**	8,797,428
Total equity	**64,419,786**	42,497,396
Total capital	**70,590,390**	51,294,824
Gearing ratio	**8.7%**	17.2%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2012.

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, unlisted security and share call option are determined by using valuation techniques based on unobservable market data. The fair value measurement for these financial assets is included in level 3.

The following table presents the Group's assets that are measured at fair value at 31 March 2012 and 2011:

	Level 3 HK$
At 31 March 2012	
Available-for-sale financial assets	
– equity securities	**2,541,278**
Financial assets at fair value through profit or loss	
– call option	**839,660**
	3,380,938
At 31 March 2011	
Financial assets at fair value through profit or loss	
– investment funds	1,016,838

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 financial instruments for the years ended 31 March 2012 and 2011.

	Financial assets at fair value through profit or loss	Equity securities at available-for-sale financial assets	Total
	HK$	HK$	HK$
At 1 April 2010	959,755	–	959,755
Gains recognised in profit and loss	57,083	–	57,083
At 31 March 2011	**1,016,838**	**–**	**1,016,838**
Disposals	**(1,040,186)**	**–**	**(1,040,186)**
Additions	**1,044,152**	**2,733,125**	**3,777,277**
Fair value loss recognised in other comprehensive income	**–**	**(191,847)**	**(191,847)**
Fair value loss recognised in profit and loss	**(181,144)**	**–**	**(181,144)**
At 31 March 2012	**839,660**	**2,541,278**	**3,380,938**

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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) 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-year financial budgets approved by management and estimated terminal value at the end of the one to four-year 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. Judgment 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(b) 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.

(c) 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 not be 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 judgments and estimates.

Management judgment 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.

(d) 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 judgment, inventories that are slow moving or obsolete, and considering their physical conditions, age, market conditions and market price for similar items.

(e) 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 reporting date.

Significant judgment is exercised on the assessment of the collectability of trade receivables from each customer. In making the judgment, 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(f) Income tax

The Group is subject to current income tax in various jurisdictions. Significant judgment 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 had conducted a transfer pricing study and made transfer pricing adjustments to re-allocate the profit of the Group attributable to the relative subsidiaries respectively in accordance with a transfer pricing benchmarking study with reference to Guo Shui Fa 2009 No. 2. Accordingly, current income tax provision has been made based on each of the subsidiaries' profit before tax after such transfer pricing adjustments. The Directors consider that sufficient tax provision has been made during the year.

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.

(g) Fair values of available-for-sale financial assets and financial assets at fair value through profit or loss

The Group makes reference to the independent valuer's valuations to determine the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss which in turn are determined using various valuation techniques, including discounted cash flow models and option pricing models. Judgment is required in the calculation of such valuations. Changes in the underlying assumptions could materially impact other comprehensive income and profit and loss, respectively.

5 SEGMENT INFORMATION

The 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 of the Group from a product category perspective. The reportable operating segments derive their revenue primarily from the manufacturing and sale of power and data cords. Management assesses the performance of the following segments:

– Power cords and inlet sockets for household electric appliances
– Power and data cords for mobile handset and medical control devices
– Raw cables
– Copper wires

5 SEGMENT INFORMATION (CONTINUED)

Management assesses the performance of the operating segments based on the measure of gross profits.

The sales from the 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 2012 and 2011 is as follows:

	Power cords and inlet sockets for household electric appliances HK$	Power and data cords for mobile handsets and medical control devices HK$	Raw cables HK$	Copper wires HK$	All other segments HK$	Total HK$
For the year ended 31 March 2012						
Segment revenue	**46,817,794**	**85,254,755**	**28,043,051**	**38,292,737**	**449,791**	**198,858,128**
Inter-segment revenue	**–**	**–**	**(23,360,497)**	**–**	**–**	**(23,360,497)**
Revenue (from external customers)	**46,817,794**	**85,254,755**	**4,682,554**	**38,292,737**	**449,791**	**175,497,631**
Segment results	**4,513,802**	**14,076,510**	**(603,643)**	**(1,877,978)**	**349,318**	**16,458,009**
For the year ended 31 March 2011						
Segment revenue	42,024,999	105,261,285	21,763,614	–	1,624,010	170,673,908
Inter-segment revenue	–	–	(10,461,301)	–	–	(10,461,301)
Revenue (from external customers)	42,024,999	105,261,285	11,302,313	–	1,624,010	160,212,607
Segment results	9,874,190	21,439,352	2,002,029	–	597,233	33,912,804

5 SEGMENT INFORMATION (CONTINUED)

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 consolidated statement of comprehensive income.

A reconciliation of segment results to (loss)/profit before income tax is provided as follows:

	2012 HK$	2011 HK$
Segment results	**16,458,009**	33,912,804
Other (losses)/gains – net	**(1,594,050)**	5,795,739
Selling and administrative expenses	**(23,639,261)**	(17,963,449)
Operating (loss)/profit	**(8,775,302)**	21,745,094
Finance costs – net	**(710,356)**	(762,662)
Share of profit of a jointly controlled entity	**–**	46,494
(Loss)/profit before income tax	**(9,485,658)**	21,028,926

The total revenue from external customers in the PRC and Hong Kong is approximately HK$154,565,000 for the year ended 31 March 2012 (2011: HK$122,561,000). The total revenue from external customers in other countries is approximately HK$20,933,000 for the year ended 31 March 2012 (2011: HK$37,651,000).

The total non-current assets located in Hong Kong are approximately HK$17,849,000 as at 31 March 2012 (2011: HK$7,426,000). The total non-current assets located in other countries are approximately HK$21,242,000 as at 31 March 2012 (2011: HK$20,324,000).

Details of the customers accounting for 10% or more of total revenue are as follows:

	2012 HK$	2011 HK$
Customer A	**28,588,872**	1,333,549[1]
Customer B	**26,832,461**	13,040,868[1]
Customer C	**26,520,549**	49,360,387
Customer D	**19,910,292**	18,481,532
Customer E	**12,784,176**	–[1]

1 Sales to these customers did not exceed 10% of total revenue in the respective years. The amounts were shown for comparative purpose.

5 SEGMENT INFORMATION (CONTINUED)

Breakdown of revenues from all activities is as follows:

	2012 HK$	2011 HK$
Sales of power cables, electric cords, raw cables and copper wires		
– third parties	175,047,840	156,405,175
– a related party	–	2,183,422
Others	449,791	1,624,010
	175,497,631	160,212,607

6 OTHER (LOSSES)/GAINS-NET

	2012 HK$	2011 HK$
Foreign exchange loss, net	(1,666,802)	(575,098)
Fair value gain on previously held interest in a jointly controlled entity	–	5,520,734
Fair value (loss)/gain on financial assets at fair value through profit or loss	(181,144)	57,083
Management service fee income from a related party	–	612,462
Sundry income	253,896	180,558
	(1,594,050)	5,795,739

7 OPERATING (LOSS)/PROFIT

Operating (loss)/profit for the year is stated after charging/(crediting) the following:

	2012 HK$	2011 HK$
Raw materials and consumables used	111,802,555	94,986,706
Changes in inventories of finished goods and work in progress	(2,674,970)	(3,661,900)
Operating lease payments in respect of factories	2,822,400	1,819,047
Depreciation (Note 14)	5,772,918	4,143,554
Provision for obsolescence of inventories (Note 18)	2,324,794	276,928
Impairment of goodwill (Note 15)	3,150,306	3,243,500
Employee benefit expense (Note 8)	31,715,147	22,845,602
Auditors' remuneration	1,080,000	700,000
Loss on disposal of property, plant and equipment	10,790	10,833

8 EMPLOYEE BENEFIT EXPENSE-INCLUDING DIRECTORS' EMOLUMENTS

	2012 HK$	2011 HK$
Salaries, wages and allowances	28,516,799	20,070,388
Pension costs-defined contribution plans	1,312,712	1,157,978
Other benefits	1,885,636	1,617,236
	31,715,147	22,845,602

9 FINANCE INCOME AND COSTS

	2012	2011
	HK$	HK$
Finance costs:		
– Bank borrowings repayable within five years (Note a)	**445,531**	463,670
– Trust receipt bank loans and factoring loans	**281,354**	342,252
	726,885	805,922
Finance income:		
– Short-term bank deposits	**16,529**	43,260

Note a: The interest-bearing bank borrowings repayable within five years, including portion of term loans due for repayment after five years which contain a repayment on demand clause and that is classified as a current liability.

10 INCOME TAX EXPENSE

	2012	2011
	HK$	HK$
Current income tax		
– Hong Kong profits tax	**116,842**	1,616,253
– PRC corporate income tax	**927,186**	1,366,062
Deferred income tax (Note 26)	**100,109**	23,871
	1,144,137	3,006,186

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year ended 31 March 2012 (2011: 16.5%). The PRC corporate income tax is provided at the rate of 25% for the year ended 31 March 2012 (2011: 23%).

10 INCOME TAX EXPENSE (CONTINUED)

The income tax on the Group's (loss)/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:

	2012 HK$	2011 HK$
(Loss)/profit before income tax	**(9,485,658)**	21,028,926
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(1,304,037)**	3,188,516
Income not subject to tax	**(93,694)**	(903,032)
Expenses not deductible for tax purposes	**889,615**	720,702
Unrecognised tax losses	**1,652,253**	–
Income tax expense	**1,144,137**	3,006,186

11 DIRECTORS' AND SENIOR EXECUTIVE'S EMOLUMENTS

(a) Directors' and senior executive's emoluments

The emoluments of the directors and a senior executive in the Group for the years ended 31 March 2012 and 2011 are set out below:

	Fee HK$	**Salaries, allowances and benefits in kind HK$**	**Retirement benefit contributions HK$**	**Total HK$**
Year ended 31 March 2012				
Executive directors:				
Yeung Tin Hung	**–**	**1,183,533**	**14,437**	**1,197,970**
Yeung Shing Wai	**–**	**626,867**	**12,000**	**638,867**
Chen Tian Gang	**–**	**229,003**	**6,974**	**235,977**
Zhou Yu Hui	**–**	**195,902**	**6,974**	**202,876**
Non-executive director:				
Wong Chi Yung	**100,000**	**–**	**–**	**100,000**
Independent non-executive directors:				
Li Hin Lung	**105,000**	**–**	**–**	**105,000**
Chan Kai Wo	**52,500**	**–**	**–**	**52,500**
Chua Hoon Chong	**52,500**	**–**	**–**	**52,500**
	310,000	**2,235,305**	**40,385**	**2,585,690**

11 DIRECTORS' AND SENIOR EXECUTIVE'S EMOLUMENTS (CONTINUED)

(a) Directors' and senior executive's emoluments (Continued)

	Fee HK$	Salaries, allowances and benefits in kind HK$	Retirement benefit contributions HK$	Total HK$
Year ended 31 March 2011				
Directors:				
Yeung Tin Hung	–	1,300,000	12,000	1,312,000
Yeung Shing Wai	–	650,000	12,000	662,000
	–	1,950,000	24,000	1,974,000
Senior executive:				
Li Shi Bin	–	45,454	459	45,913
	–	1,995,454	24,459	2,019,913

During the year ended 31 March 2012, no directors received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office, no directors waived or have agreed to waive any emoluments (2011: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2011: two) directors. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: three) individuals during the year are as follows:

	2012 HK$	2011 HK$
Salaries, wages and allowances	**1,289,544**	779,750
Pension costs-defined contribution plans	**32,500**	29,087
	1,322,044	808,837

11 DIRECTORS' AND SENIOR EXECUTIVE'S EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
HK$Nil to HK$1,000,000	**3**	3

12 DIVIDEND

	2012	2011
	HK$	HK$
Interim dividend declared and paid of HK$3.33 per ordinary share	**–**	10,000,000

No final dividend has been paid or declared by the Company during the year (2011: Nil).

13 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
(Loss)/profit attributable to the equity holders of the Company	**HK$(9,002,422)**	HK$18,022,740
Weighted average number of ordinary shares in issue	**538,278,689**	385,000,000
Basic (loss)/earnings per share (Hong Kong cents)	**(1.67)**	4.68

13 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(a) Basic (Continued)

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 March 2011 includes the issued share capital of the Company of 385,000,000 shares, comprising:

(i) the 1 share of the Company allotted, issued and fully paid on 25 June 2010 (Note 22);

(ii) the 384,999,999 shares issued for share swap pursuant to the Reorganisation and capitalisation on 27 April 2011 and 18 May 2011 (Note 22), respectively;

And assuming the 385,000,000 shares of the Company were in issue on 1 April 2010.

The weighted average number of shares used to calculate the basic loss per share for the year ended 31 March 2012 includes 165,000,000 issued upon the listing on the Stock Exchange on 18 May 2011, in addition to the aforementioned 385,000,000 ordinary shares of the Company which were assumed to be in issue on 1 April 2010.

(b) Diluted

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

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$	Buildings HK$	Leasehold improvements HK$	Moulding and equipment HK$	Motor vehicles HK$	Furniture and office equipment HK$	Total HK$
At 1 April 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
Year ended 31 March 2011							
Opening net book amount	4,498,543	2,049,945	445,922	5,808,180	887,493	652,482	14,342,565
Additions	–	–	407,772	2,599,604	1,532,761	902,338	5,442,475
Acquisition of a subsidiary	–	–	–	1,119,153	–	68,972	1,188,125
Disposal	–	–	–	–	(120,833)	–	(120,833)
Depreciation charge (Note 7)	(120,409)	(54,467)	(258,983)	(2,699,804)	(604,946)	(404,945)	(4,143,554)
Closing net book amount	4,378,134	1,995,478	594,711	6,827,133	1,694,475	1,218,847	16,708,778
At 31 March 2011							
Cost	4,540,000	2,080,200	1,300,244	14,023,612	3,366,157	2,263,585	27,573,798
Accumulated depreciation	(161,866)	(84,722)	(705,533)	(7,196,479)	(1,671,682)	(1,044,738)	(10,865,020)
Net book amount	4,378,134	1,995,478	594,711	6,827,133	1,694,475	1,218,847	16,708,778
Year ended 31 March 2012							
Opening net book amount	**4,378,134**	**1,995,478**	**594,711**	**6,827,133**	**1,694,475**	**1,218,847**	**16,708,778**
Additions	**–**	**–**	**4,739,835**	**10,088,853**	**1,059,909**	**897,597**	**16,786,194**
Exchange differences	**–**	**–**	**120,889**	**164,916**	**14,749**	**12,068**	**312,622**
Disposal	**–**	**–**	**–**	**–**	**(26,000)**	**–**	**(26,000)**
Depreciation charge (Note 7)	**(120,408)**	**(54,465)**	**(613,277)**	**(3,683,581)**	**(720,432)**	**(580,755)**	**(5,772,918)**
Closing net book amount	**4,257,726**	**1,941,013**	**4,842,158**	**13,397,321**	**2,022,701**	**1,547,757**	**28,008,676**
At 31 March 2012							
Cost	**4,540,000**	**2,080,200**	**6,164,647**	**24,328,439**	**4,412,590**	**3,174,220**	**44,700,096**
Accumulated depreciation	**(282,274)**	**(139,187)**	**(1,322,489)**	**(10,931,118)**	**(2,389,889)**	**(1,626,463)**	**(16,691,420)**
Net book amount	**4,257,726**	**1,941,013**	**4,842,158**	**13,397,321**	**2,022,701**	**1,547,757**	**28,008,676**

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leasehold land and buildings with net book amount of approximately HK$6,199,000 were pledged to a bank to secure general banking facilities granted to the Group as at 31 March 2012 (2011: HK$4,645,000).

Depreciation expense of the Group's property, plant and equipment has been charged to the consolidated statements of comprehensive income as follows:

	2012	2011
	HK$	HK$
Cost of sales	**4,299,912**	3,043,295
Administrative expenses	**1,473,006**	1,100,259
	5,772,918	4,143,554

The Group's interest in leasehold land is analysed as follows:

	2012	2011
	HK$	HK$
In Hong Kong, held on:		
Leases of between 10 and 50 years	**4,257,726**	4,378,134

Motor vehicles include the following amounts where the Group is a lessee under a finance lease:

	2012	2011
	HK$	HK$
Cost – capitalised finance lease	**609,952**	1,189,952
Accumulated depreciation	**(228,732)**	(112,494)
Net book amount	**381,220**	1,077,458

The Group leases a vehicle under non-cancellable finance lease agreement. The lease term is two years and the ownership of the vehicle lies within the Group (Note 25).

15 GOODWILL

	HK$
At 1 April 2010	–
Cost	–
Accumulated impairment	–
Net book amount	–
Year ended 31 March 2011	
Opening net book amount	–
Acquisition of a subsidiary	14,284,967
Impairment	(3,243,500)
Closing net book amount	11,041,467
At 31 March 2011	
Cost	14,284,967
Accumulated impairment	(3,243,500)
Net book amount	11,041,467
Year ended 31 March 2012	
Opening net book amount	**11,041,467**
Impairment	**(3,150,306)**
Closing net book amount	**7,891,161**
At 31 March 2012	
Cost	**14,284,967**
Accumulated impairment	**(6,393,806)**
Net book amount	**7,891,161**

15 GOODWILL (CONTINUED)

Impairment tests for goodwill

Goodwill is allocated to the Group's 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 rate 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-year period and other key assumptions used for value-in-use calculations are as follows:

	2012	2011
Average sales growth rate (Note a)	**1.4%**	10%
Terminal growth rate	**3%**	3%
Discount rate (Note b)	**16.1%**	20.3%

Notes:

(a) Average sales growth rate used in the budget for the four-year period ending 31 March 2016 (2011: 31 March 2015).

(b) Discount rate applied to the cash flow projection.

During the year ended 31 March 2012, the carrying amount of the goodwill has been reduced to its recoverable amount through recognition of an impairment loss against goodwill of approximately HK$3,150,000 (2011: HK$3,244,000). This loss has been included in the administrative expenses in the consolidated statement of comprehensive income.

The sensitivity analysis shows the goodwill of the raw cable business is further impaired by approximately HK$329,000 if the key assumptions of average sales growth rate and terminal growth rate are reduced by 0.5%.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK$	2011 HK$
At 1 April	**–**	–
Addition	**2,733,125**	–
Fair value loss	**(191,847)**	–
At 31 March	**2,541,278**	–

Available-for-sale financial asset include the following:

	2012 HK$	2011 HK$
Unlisted securities:		
– Equity securities in Singapore	**2,541,278**	–

Available-for-sale financial asset is denominated in the Singaporean dollar ("SG$"):

On 11 August 2011, the Group entered into a conditional sale and purchase agreement with an independent third party to acquire a 19.5% equity interest of MEMS Solutions Pte. Ltd. ("MEMS SG"), a private entity incorporated in Singapore, at a consideration of SG$540,000 (equivalent to approximately HK$3,367,000). The transaction was completed on 31 October 2011. The Group also has the option to further acquire a 40.5% equity interest of MEMS SG, which is exercisable on or before 30 June 2014, at a consideration of SG$1,120,000 (equivalent to approximately HK$6,984,000). The investment in MEMS SG is accounted for as an available-for-sale financial asset, which is fair valued at each period end date with the difference in fair value recognised in other comprehensive income. The option is accounted for as a derivative which is carried at fair value through profit or loss as disclosed in Note 20.

The fair value of the available-for-sale financial asset as at 31 October 2011 and 31 March 2012 is valued by an independent valuer.

17 INVESTMENT IN A SUBSIDIARY – COMPANY

	2012 HK$	2011 HK$
Unlisted shares, at cost	**23**	–
Amount due from a subsidiary	**28,067,419**	–
	28,067,442	–

17 INVESTMENT IN A SUBSIDIARY – COMPANY (CONTINUED)

Amount due from a subsidiary represents equity funding by the Company to the subsidiary and is measured in accordance with the Company's accounting policy for investments in subsidiaries.

As at 31 March 2012, the Company has direct and indirect interests in the following subsidiaries:

Name	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Able One	BVI	3 ordinary shares of US$1 each	100%	–	Investment holding
Brave Champ Holdings Limited	BVI	1 ordinary share of US$1 each	–	100%	Investment holding
Brave Lead International Limited	BVI	1 ordinary share of US$1 each	–	100%	Investment holding
MEMS Solutions International Limited	BVI	1 ordinary share of US$1 each	–	100%	Investment holding
Capital Convoy	BVI	1 ordinary share of US$1 each	–	100%	Investment holding
Joint Market	BVI	1 ordinary share of US$1 each	–	100%	Investment holding
SunFair HK	Hong Kong	3,000,000 ordinary shares of HK$1 each	–	100%	Trading of power and data cords
MEMS Solutions Hong Kong Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Inactive
Logic Dynamic Materials Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Inactive
Zing Fair Electrical Supplies Limited	Hong Kong	100 ordinary shares of HK$1 each	–	70%	Trading of copper wires
Logic Dynamic	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Trading of power and data cords for medical control devices

17 INVESTMENT IN A SUBSIDIARY – COMPANY (CONTINUED)

Name	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
SunFair Industrial	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Manufacturing and trading of raw cables in the PRC
SunFair SZ	The PRC	HK$10,000,000	–	100%	Manufacturing and trading of power and data cords
Dongguan Zing Fair Electrical Supplies Limited	The PRC	HK$8,000,000	–	70%	Manufacturing and trading of copper wires
Sun Fair Electric Wire and Cable (Chenzhou) Company Limited	The PRC	HK$10,000,000	–	100%	Manufacturing of power and data cords

18 INVENTORIES

	2012 **HK$**	2011 HK$
Raw materials	**10,151,783**	6,426,190
Work in progress	**5,718,910**	6,861,524
Finished goods	**9,392,875**	5,575,291
	25,263,568	18,863,005
Less: Provision for obsolescence (Note 7)	**(3,525,478)**	(1,200,684)
	21,738,090	17,662,321

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to approximately HK$110,235,000 for the year (2011: HK$91,324,000).

As at 31 March 2012 and 2011, apart from those provided for obsolescence, no inventories were stated at their net realisable value.

19 TRADE AND OTHER RECEIVABLES

	2012 HK$	2011 HK$
Trade receivables		
– third parties	**52,924,271**	34,168,988
Prepayments, deposits and other receivables (Note a)	**3,873,018**	8,242,363
	56,797,289	42,411,351
Less: Non-current portion	**(650,000)**	–
	56,147,289	42,411,351

Note a: No prepayments were made for the issuance of shares upon placing (2011: approximately HK$7,415,000).

As at 31 March 2012, no trade receivables were factored to the bank (2011: approximately HK$394,000).

The majority of the Group's sales are on credit terms after the end of the month up to 120 days. As at 31 March 2012, trade receivables of approximately HK$13,278,000 (2011: HK$12,994,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2012 HK$	2011 HK$
Neither past due nor impaired	**39,645,776**	21,174,650
0 – 30 days past due	**11,046,231**	10,430,955
31 – 60 days past due	**1,673,071**	2,534,263
61 – 90 days past due	**35,856**	9,600
91 – 120 days past due	**523,337**	19,520
Past due but not impaired	**13,278,495**	12,994,338
	52,924,271	34,168,988

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables that were past due but not impaired relate to customers that have a good record with the Group or a sound credit quality. Based on past experience and regular credit risk assessment performed on all significant outstanding trade receivables, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The maximum exposure to credit risk at the year end 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:

	2012 HK$	2011 HK$
HK$	**32,768,677**	38,157,633
US$	**7,702,545**	3,752,541
RMB	**16,326,067**	501,177
	56,797,289	42,411,351

No provision for impairment of trade receivables is provided for the year ended 31 March 2012 (2011: Nil).

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK$	2011 HK$
Unlisted securities		
– Investment funds	**–**	1,016,838
– Call option	**839,660**	–
	839,660	1,016,838

As at 31 March 2012, financial assets at fair value through profit or less represents a call option to acquire a 40.5% equity interest of MEMS SG which is exercisable on or before 30 June 2014 at a consideration of SG$1,120,000 (equivalent to approximately HK$6,984,000). The fair value of the call option is based on valuation carried out by an independent valuer.

As at 31 March 2011, financial assets at fair value through profit or loss represented investment funds invested in listed equity instruments outside Hong Kong. The fair value of the investment funds was based on the quotation from a bank.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

As at 31 March 2012, no financial assets at fair value through profit or loss were pledged to bank to secure general banking facilities granted to the Group (2011: approximately HK$1,017,000).

Changes in fair values of the financial assets were recorded in 'other (losses)/gains-net' in the consolidated statement of comprehensive income.

21 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2012 **HK$**	2011 HK$
Cash and cash equivalents		
Cash at bank and on hand	**19,921,494**	6,507,341
Pledged deposits	**5,510,226**	2,523,824
Maximum exposure to credit risk	**25,039,926**	8,873,753

The carrying amounts of the Group's cash and cash equivalents and pledged deposits are denominated in the following currencies:

	2012 **HK$**	2011 HK$
HK$	**18,638,438**	6,213,510
RMB	**2,897,428**	919,956
US$	**3,895,854**	1,897,699
	25,431,720	9,031,165

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 2012 and 2011 (Note 25).

22 SHARE CAPITAL

	Number of shares	Amount HK$
Authorised:		
Ordinary shares of HK$0.001 each		
At 25 June 2010 (date of incorporation)	380,000,000	380,000
At 31 March 2011 and 1 April 2011	**380,000,000**	**380,000**
Increase of authorised shares (Note b)	**620,000,000**	**620,000**
At 31 March 2012	**1,000,000,000**	**1,000,000**
Issued and fully paid:		
Ordinary shares of HK$0.001 each		
At 25 June 2010 (date of incorporation)	1	1
At 31 March 2011 and 1 April 2011	**1**	**1**
Issue of new shares (Note a)	**34,999,999**	**34,999**
Capitalisation issue (Note c)	**350,000,000**	**350,000**
Issue of shares by way of placing (Note d)	**165,000,000**	**165,000**
At 31 March 2012	**550,000,000**	**550,000**

Notes:

(a) On 27 April 2011, the shareholder of the Company, Mr. Yeung Tin Hung sold the aggregated 3 existing shares of Able One of US$1 each, to the Company. The consideration was satisfied by allotment and issue of 34,999,999 shares of HK$0.001 each in the capital of the Company to Fairson Holdings (BVI) Limited, credited as fully paid as directed by Mr. Yeung Tin Hung.

(b) On 18 May 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 of HK$0.001 each.

(c) As a result of the placing on 18 May 2011, the sum of 350,000,000 shares of HK$0.001 each had been capitalised.

(d) On 18 May 2011, the Company completed its placing of 165,000,000 shares, which were listed on GEM on the same date. The shares were issued at a price of HK$0.30 per share for a total cash consideration of approximately HK$47.8 million, net of issuance expenses of approximately HK$18.2 million.

23 RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

In accordance with the relevant regulations and the article of association, a Group's subsidiary incorporated in the PRC is required to allocate at least 10% of the after-tax profit according to the PRC accounting standards 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 year ended 31 March 2012 amounted to approximately HK$320,000 (2011: HK$830,000).

(b) Company

	Share premium HK$	Accumulated losses HK$	Total HK$
At 1 April 2010	–	–	–
Total comprehensive loss for the year	–	(155,000)	(155,000)
At 31 March 2011 and 1 April 2011	**–**	**(155,000)**	**(155,000)**
Total comprehensive loss for the year	**–**	**(2,421,335)**	**(2,421,335)**
Issuance of shares (Note 22)	**29,530,430**	**–**	**29,530,430**
At 31 March 2012	**29,530,430**	**(2,576,335)**	**26,954,095**

24 TRADE AND OTHER PAYABLES

	2012 **HK$**	2011 HK$
Trade payables	**22,744,199**	27,360,689
Other payables	**8,955,483**	3,326,866
Deposit received	**813,737**	48,475
Accruals	**7,223,179**	2,802,366
	39,736,598	33,538,396

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:

	2012 **HK$**	2011 HK$
Current	**16,500,860**	21,758,531
0 – 30 days	**6,122,196**	1,762,460
31 – 60 days	**84,859**	924,203
61 – 90 days	**30,204**	2,042,759
91 – 180 days	**6,080**	872,736
	22,744,199	27,360,689

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2012 **HK$**	2011 HK$
HK$	**20,134,512**	24,596,869
RMB	**16,384,441**	6,891,363
US$	**3,217,645**	2,050,164
	39,736,598	33,538,396

25 BORROWINGS

	2012 HK$	2011 HK$
Non current		
Finance lease liabilities	–	145,031
Current		
Trust receipt bank loans	10,533,419	4,723,725
Factoring loans	–	74,778
Bank borrowings (Note a)	15,413,648	9,763,807
Finance lease liabilities	145,031	597,428
	26,092,098	15,159,738
Total borrowings	26,092,098	15,304,769

Note a: The balance includes portion of term loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability.

The carrying amounts of the Group's borrowings approximate their fair values and are denominated in HK$.

The weighted average effective interest rates as at year ended 31 March 2012 are as follows:

	2012	2011
Bank borrowings	3.36%	3.73%
Factoring loans	–	1.75%
Trust receipt bank loans	3.69%	5.82%
Finance lease liabilities	3.00%	3.00%

25 BORROWINGS (CONTINUED)

	2012 HK$	2011 HK$
Gross finance lease liabilities-minimum lease payments		
No later than 1 year	**148,048**	619,376
Later than 1 year and no later than 5 years	**–**	148,048
	148,048	767,424
Future finance charges on finance lease	**(3,017)**	(24,965)
Present value of finance lease liabilities	**145,031**	742,459

	2012 HK$	2011 HK$
The present value of finance lease liabilities is as follows:		
No later than 1 year	**145,031**	597,428
Later than 1 year and no later than 5 years	**–**	145,031
	145,031	742,459

As of 31 March 2012, the Group had aggregate banking facilities of approximately HK$46,250,000 (2011: HK$48,250,000) for loans, trade financing, factoring and spot and derivative transactions. Unused facilities as at the same dates amounted to approximately HK$20,302,000 (2011: HK$33,688,000). These facilities are secured by:

(a) The Group's leasehold land and buildings with an aggregate net book value of approximately HK$6,199,000 (2011: HK$4,645,000) (Note 14);

(b) Pledge of the Group's bank deposits with an aggregate carrying value of approximately HK$5,510,000 (2011: HK$2,524,000) (Note 21);

(c) Corporate guarantees provided by the Company and the subsidiaries and personal guarantees given by directors (Note 30(c)); and

(d) No financial assets at fair value through profit or loss of the Group was pledged as at 31 March 2012 (2011: approximately HK$1,017,000) (Note 20).

26 DEFERRED INCOME TAX

The analysis of deferred tax liabilities is as follows:

	2012 **HK$**	2011 HK$
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**973,694**	873,585

The following tables show the deferred tax liabilities movements during the year:

	Accelerated tax depreciation HK$	**Withholding tax on undistributed earnings** HK$	**Total** HK$
At 31 March 2010	(33,461)	(816,253)	(849,714)
Charged to consolidated statement of comprehensive income	(23,871)	–	(23,871)
At 31 March 2011	(57,332)	(816,253)	(873,585)
At 1 April 2011	**(57,332)**	**(816,253)**	**(873,585)**
Charged to consolidated statement of comprehensive income	**(100,109)**	**–**	**(100,109)**
At 31 March 2012	**(157,441)**	**(816,253)**	**(973,694)**

As at 31 March 2012, deferred income tax liabilities of approximately HK$1,530,000 (2011: HK$415,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of a subsidiary. Such amounts are permanently reinvested.

Deferred income tax assets are recognised for tax loss carryforwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 March 2012, deferred income tax assets of approximately HK$1,652,000 (2011: HK$Nil) has not been recognised in respect of loss that can be carried forward against future taxable profits. The tax loss has an expiry period of five years.

27 CASH (USED IN)/GENERATED FROM OPERATIONS

	2012 HK$	2011 HK$
(Loss)/profit before income tax	**(9,485,658)**	21,028,926
Adjustments for:		
– Depreciation	**5,772,918**	4,143,554
– Loss on disposal of property, plant and equipment	**10,790**	10,833
– Provision for obsolescence of inventories	**2,324,794**	276,928
– Provision for impairment of goodwill	**3,150,306**	3,243,500
– Fair value gain on previously held interest	**–**	(5,520,734)
– Fair value loss/(gain) on financial assets at fair value through profit and loss	**181,144**	(57,083)
– Share of profit of a jointly controlled entity	**–**	(46,494)
– Finance costs	**726,885**	805,922
– Finance income	**(16,529)**	(43,260)
Cash generated from operations before changes in working capital	**2,664,650**	23,842,092
Changes in working capital:		
– Inventories	**(6,400,563)**	4,955,869
– Trade and other receivables	**(13,735,938)**	(2,176,236)
– Trade and other payables	**6,198,202**	(1,490,478)
– Amount due from a related company	**7,128**	–
– Amount due to a related party	**1,241,812**	–
– Amounts due to/(from) directors	**4,450,322**	(583,285)
Cash (used in)/generated from operations	**(5,574,387)**	24,547,962

27 CASH (USED IN)/GENERATED FROM OPERATIONS (CONTINUED)

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2012 **HK$**	2011 HK$
Net book amount (Note 14)	**26,000**	120,833
Loss on disposal of property, plant and equipment	**(10,790)**	(10,833)
Proceeds from disposal of property, plant and equipment	**15,210**	110,000

Major non-cash transactions comprise:

	2012 **HK$**	2011 HK$
Purchase of property, plant and equipment through finance lease liabilities	**–**	999,000

28 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for but not yet incurred is as follows:

	2012 **HK$**	2011 HK$
Property, plant and equipment	**380,000**	280,000

28 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

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

	2012 **HK$**	2011 HK$
No later than 1 year	**4,127,073**	1,935,710
Later than 1 year and no later than 5 years	**9,586,556**	4,856,288
Over 5 years	**344,400**	–
	14,058,029	6,791,998

29 CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities as at 31 March 2012 (2011: Nil).

30 RELATED PARTY TRANSACTIONS

Transactions between the companies comprising the Group have been eliminated on and are not disclosed. Details of transactions between the Group and other related parties are disclosed below.

There were no related party transactions in the year. For the significant transactions of the Group with its related parties during the year ended 31 March 2011 were as follows:

	2012 **HK$**	2011 HK$
Acquisition of 50% equity interest in SunFair Industrial from		
– Mr. Li Shi Bin (Note i)	**–**	10,000,000

Note i: Mr. Li Shi Bin was a senior executive of the Group and had been the shareholder of SunFair Industrial up to 30 May 2010 when he disposed of his 50% interests in SunFair Industrial to Capital Convoy.

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The transaction carried out after negotiation between the Group and the related party 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 year are set out in Note 11.

(c) As at 31 March 2011, certain banking facilities of the Group were secured by corporate guarantees given by subsidiaries and personal guarantee given by directors respectively (Note 25(c)).

(d) The Group and the Company had the following balances with related parties:

	2012 HK$	2011 HK$
Group		
Receivables from related parties:		
– Logic Dynamic Materials Limited (Note (i))	**–**	7,128
– Mr. Yeung Tin Hung	**–**	204,900
– Mr. Yeung Shing Wai	**–**	38,000
Payables to related parties:		
– Mr. Yeung Tin Hung (Note (ii))	**4,207,422**	–
– Mr. Chen Wei Chuan (Note (ii))	**1,241,812**	–
Company		
Receivable from a related party:		
– SunFair HK	**28,067,419**	–
Payables to related parties:		
– SunFair SZ	**304,200**	–
– Able One	**–**	160,000

Notes:

(i) Logic Dynmaic Materials Limited was held under the control of Mr. Yeung Shing Wai. The shares of Logic Dynamic Materials Limited were subsequently passed to the Group on 28 December 2011.

(ii) Balances represented amounts paid by the directors on behalf of the Group with respect to the start-up of the copper wires business.

Receivables and payables from/to related parties 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 RMB except for the Company's receivable from a related party is denominated in HK$ (2011: All balances with related parties are denominated in HK$).

Financial Summary

The results, assets and liabilities of the Group for each of the last four financial years are as follows:

RESULTS

	For the years ended 31 March			
	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**175,498**	160,213	160,012	184,407
(Loss)/profit before income tax	**(9,486)**	21,029	28,530	8,008
Income tax expense	**(1,144)**	(3,006)	(4,520)	(1,071)
(Loss)/profit for the year	**(10,630)**	18,023	24,010	6,937
Attributable to:				
Equity holders of the Company	**(9,003)**	18,023	24,010	6,937
Non-controlling interest	**(1,627)**	–	–	–
	(10,630)	18,023	24,010	6,937

ASSETS, EQUITY AND LIABILITIES

	As at 31 March			
	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS				
Non-current assets	**39,091**	27,750	15,982	12,142
Current assets	**104,157**	70,372	75,310	57,082
Total assets	**143,248**	98,122	91,292	69,224
EQUITY AND LIABILITIES				
Total equity	**64,420**	42,497	34,474	10,465
Non-current liabilities	**974**	1,019	850	439
Current liabilities	**77,854**	54,606	55,968	58,320
Total liabilities	**78,828**	55,625	56,818	58,759
Total equity and liabilities	**143,248**	98,122	91,292	69,224
Attributable to:				
Equity holders of the Company	**63,585**	42,497	34,474	10,465
Non-controlling interest	**835**	–	–	–
	64,420	42,497	34,474	10,465