

Fairson Holdings Limited 鉦皓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132



Third Quarterly Report 2012

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

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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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In the third quarter of 2012, the Group continued to execute its growth strategy in order to contain the impact of uncertain global economies. The digital communications industry, however, is still expanding which provides good opportunities for the Group to seize the market. For the nine months ended 31 December 2012 (the "Financial Period"), the turnover of the Company and its subsidiaries (together the "Group") was approximately HK\$122.1 million representing a decrease of approximately 4% from approximately HK\$127.0 million for the nine months ended 31 December 2011 (the "Previous Corresponding Period"). The decrease in the turnover was mainly due to the discontinued operation of the copper wires business. For the Financial Period, the loss of the Group attributable to owners of the Company was approximately HK\$5.6 million, representing a significant increase from the loss of approximately HK\$1.7 million in the Previous Corresponding Period which was mainly due to (i) 70% share of the operating loss of approximately HK\$10.1 million arising from the business segment of copper wires which had been ceased since late September 2012 that incurred a further write-off and impairment of assets inclusive of trade receivables and property, plant and equipment totalling approximately HK\$4.1 million; (ii) the decrease in the profit margin as a result of the intensified market competition under the global economic downturn; and (iii) the increased staff costs partly due to the increasing statutory minimum wage level of the staff in the People's Republic of China (the "PRC").

Furthermore, in order to reduce the financial burden and increase the working capital, the Group disposed some of its properties in November 2012 and recorded an unaudited gain on disposal of approximately HK\$4.8 million. The Group has also arranged to lease back of part of these properties as the principal office of the Group in Hong Kong for three years.

The board of Directors (the "Board") does not recommend the payment of an interim dividend for the nine months ended 31 December 2012.

Business Review

For the Financial Period under review, the Group's turnover of its key product groups in continuing operations, including (i) power cords and inlet sockets for household electric appliances; (ii) power and data cords for mobile handsets and medical control devices; and (iii) raw cables, accounted for approximately 17%, 73% and 1% (2011: approximately 31%, 50% and 3%) of the total turnover of the Group, respectively. The operation of the copper wires business had been ceased since late September 2012 and its turnover accounted for 9% (2011: approximately 16%) of the Group's total turnover.

Turnover arising from Hong Kong and the PRC markets continued to be the key contributors for the Group, representing approximately 85% (2011: approximately 88%) of the total turnover of the Group for the Financial Period. The remaining turnover of approximately 15% (2011: approximately 12%) for the Financial Period was contributed from other overseas markets, including the United States.

Power cords and inlet sockets for household electric appliances

For the Financial Period under review, the Group's turnover from power cords and inlet sockets for household electric appliances was approximately HK\$20.2 million (2011: approximately HK\$38.8 million), representing a decrease of approximately 48% from the Previous Corresponding Period, which accounted for approximately 17% (2011: approximately 31%) of the total turnover of the Group. The decrease in turnover was mainly due to a lower intensity of subsidies on household electric appliances and hence a drop in demand for household electric appliances and related products.

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

Power and data cords for mobile handsets and medical control devices

Taking into account the fast growth of the telecommunications and smartphone market, the mobile phone manufacturing and exporting industry in the PRC prospered in 2012. For the Financial Period under review, the Group's turnover from power and data cords for mobile handsets was approximately HK\$75.7 million (2011: approximately HK\$49 million), representing an increase of approximately 54% from the Previous Corresponding Period, which accounted for approximately 62% (2011: approximately 39%) of the total turnover of the Group.

The power and data cords for mobile handsets are generally used for power charging and data transfer and are essential accessories for all mobile handsets. The enormous demand for telecommunication devices, especially in the PRC, facilitated the Group to produce power and data cords of different specifications, including high speed USB connectors and data cord products, which can support higher data transmission speeds and better audiovisual output quality. All our devices conform with the standards of mobile handset accessories designs set by USB Implementers Forum, Inc.

For the Financial Period under review, the Group's turnover from power and data cords for medical control devices was approximately HK\$13.5 million (2011: approximately HK\$14.7 million), representing a decrease of approximately 8% from the Previous Corresponding Period, which accounted for approximately 11% (2011: approximately 11%) of the total turnover of the Group.

The power and data cords for 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 assembly and are processed into final products (which include pillow speakers, bed controls, bed cables and call cords to be sold to hospitals and clinics).

Raw cables

For the Financial Period under review, the Group's turnover from raw cables was approximately HK\$0.8 million (2011: approximately HK\$3.6 million), representing a decrease of approximately 78% from the Previous Corresponding Period, which accounted for approximately 1% (2011: approximately 3%) of the total turnover of the Group. The decrease in turnover from raw cables was mainly due to the Group's change of strategy to concentrate on integrated products with connectors rather than 2-pin raw cables. The Group is also engaged in the manufacturing of raw cables using halogen-free insulation materials as they are more environmentally friendly and are able to adapt to the changing needs and requirements of the market.

Copper wires

For the Financial Period under review, the Group's turnover from copper wires was approximately HK\$11.3 million (2011: approximately HK\$20.5 million) representing a decrease of approximately 45% from the Previous Corresponding Period, which accounted for approximately 9% (2011: approximately 16%) of the total turnover of the Group. Copper rods are purchased and processed into copper wires for sale. As the business segment could not achieve economies of scale in the near term, the Group incurred a significant operating loss and streamlined its business during the Financial Period so the Group ceased its operation since late September 2012.

Outlook

The Group will continue to execute its growth strategy in order to contain the impact of uncertain global economies.

Benefiting from urbanization of the PRC, substantial policies on real estate adjustment bring stimulation to the household electric appliances market. A 2% growth of the domestic demand for household electric appliance is expected in 2013. As a result, it drives the demand for power cords. In order to cater for the rising demands and orders the Group will allocate more resources to the production of power cords.

On the other hand, the mobile phone and smartphone market is booming. According to statistics from the Ministry of Industry and Information Technology of the PRC, the number of mobile phone users reached 1.104 billion by the end of November 2012, while the percentage of 3G mobile service users increased from 13% to 20%, representing a vast demand for power and data cords for mobile handsets. In order to seize the opportunities, the Group established a new production plant in Hunan Province in the PRC which will continue to focus on the production of power and data cords for mobile handsets. The production capacity shall be expanded to cater for the increasing sales demand for mobile handset accessories globally as well as domestically for the PRC market.

A moderate growth of the PRC economy is expected in 2013. Looking ahead, the Group shall put full effort in its key business, especially (i) power cords and inlet sockets for household electric appliances; and (ii) power and data cords for mobile handsets. The Group believes that such expansions in the markets would offer opportunities and help increase profitability of the Group.

THIRD QUARTERLY UNAUDITED RESULTS

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2012

	Note	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
Continuing operations					
Turnover	2	37,996,018	35,293,200	110,800,175	106,513,376
Cost of sales		(32,391,947)	(29,156,440)	(91,497,424)	(83,620,767)
Gross profit		5,604,071	6,136,760	19,302,751	22,892,609
Other gains/(losses) – net	3	4,955,833	(473,322)	5,253,428	(1,109,234)
Selling expenses		(781,935)	(1,043,063)	(2,908,878)	(3,290,968)
Administrative expenses		(6,835,213)	(6,284,579)	(19,097,109)	(16,722,804)
Operating profit/(loss)		2,942,756	(1,664,204)	2,550,192	1,769,603
Finance income		4,901	5,420	16,163	9,527
Finance costs		(191,102)	(185,840)	(642,178)	(457,084)
Profit/(loss) before tax		2,756,555	(1,844,624)	1,924,177	1,322,046
Income tax (expense)/credit	4	(46,633)	259,939	(498,587)	(533,696)
Profit/(loss) and total comprehensive income/(loss) for the period from continuing operations		2,709,922	(1,584,685)	1,425,590	788,350
Discontinued operation					
Loss and total comprehensive loss for the period from discontinued operation	5	(2,244,283)	(3,353,548)	(10,104,810)	(3,523,063)
Profit/(loss) and total comprehensive income/(loss) for the period		465,639	(4,938,233)	(8,679,220)	(2,734,713)

	Note	(Unaudited) Three months ended		(Unaudited) Nine months ended	
		31 December		31 December	
		2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
Attributable to:					
Owners of the Company					
Profit/(Loss) and total comprehensive income/(loss) from continuing operations		2,709,922	(1,584,685)	1,425,590	788,350
Loss and total comprehensive loss from discontinued operation		(1,573,677)	(2,337,364)	(7,064,548)	(2,466,144)
Profit/(loss) and total comprehensive income/(loss) attributable to owners of the Company		1,136,245	(3,922,049)	(5,638,958)	(1,677,794)
Loss and total comprehensive loss from discontinued operation attributable to non-controlling interests		(670,606)	(1,016,184)	(3,040,262)	(1,056,919)
		465,639	(4,938,233)	(8,679,220)	(2,734,713)
Earnings/(loss) per share attributable to owners of the Company for the period (expressed in HK cents per share)	6				
– Basic and diluted					
From continuing operations		0.49	(0.29)	0.26	0.15
From discontinued operation		(0.29)	(0.42)	(1.28)	(0.47)
From continuing and discontinued operations		0.20	(0.71)	(1.02)	(0.32)

NOTES TO THE THIRD QUARTERLY UNAUDITED RESULTS

1. BASIS OF PREPARATION

The third quarterly unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the third quarterly unaudited consolidated financial statements are consistent with those adopted in the preparation of the Group's financial statements for the year ended 31 March 2012.

The HKICPA has issued a number of new and revised HKFRSs. For those which are relevant to the Group's operations and effective for its accounting period beginning on 1 April 2012, the adoption has no significant changes on the Group's accounting policies, the presentation, the reported results and the financial position of the Group for the current or prior accounting periods.

The Group has not applied the new and revised HKFRSs which have been issued but are not yet effective. The Group is currently in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether they would have a material impact on the Group's results and financial position.

2. TURNOVER

	(Unaudited) Three months ended 31 December 2012		(Unaudited) Nine months ended 31 December 2011	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
Continuing operations				
Power cords and inlet sockets for household electric appliances	4,732,116	13,814,651	20,158,242	38,810,513
Power and data cords for mobile handset and medical control devices	33,263,902	20,062,460	89,215,179	63,730,316
Raw cables	-	1,094,740	766,608	3,573,192
Others	-	321,349	660,146	399,355
	37,996,018	35,293,200	110,800,175	106,513,376
Discontinued operation				
Copper wires	691,128	20,497,508	11,326,230	20,497,508
Total continuing and discontinued operations	38,687,146	55,790,708	122,126,405	127,010,884

3. OTHER GAINS/(LOSSES) – NET

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
Continuing operations				
Foreign exchange loss – net	(73,382)	(591,898)	(48,888)	(1,314,754)
Gain on disposal of property, plant and equipment	4,795,947	–	4,795,947	–
Fair value gain on financial assets at fair value through profit or loss	–	29,101	–	54,549
Sundry income	233,268	89,475	506,369	150,971
	4,955,833	(473,322)	5,253,428	(1,109,234)
Discontinued operation				
Foreign exchange loss – net	(11,980)	(424,175)	(1,137)	(424,175)
Sundry income/(loss)	1,364	(10,344)	1,753	(10,344)
	(10,616)	(434,519)	616	(434,519)
Total continuing and discontinued operations	4,945,217	(907,841)	5,254,044	(1,543,753)

4. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the Financial Period (2011: 16.5%). The PRC corporate income tax is provided at the rate of 15% (2011: 25%) for the Financial Period as the hi-tech qualifications in the PRC were granted to the Group's PRC subsidiary in November 2012. Such tax incentive is applicable to the full financial year on which these hi-tech qualifications are granted to a corporation in the PRC.

5. DISCONTINUED OPERATION

As economies of scale could not be achieved in the near term, the Group incurred a significant operating loss and streamlined its business during the Financial Period so that the Group ceased its operation of the copper wire business since late September 2012.

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

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
Turnover	691,128	20,497,508	11,326,230	20,497,508
Cost of sales	(1,030,722)	(22,098,133)	(13,325,664)	(22,098,133)
Gross loss	(339,594)	(1,600,625)	(1,999,434)	(1,600,625)
Other (losses)/gains – net	(10,616)	(434,519)	616	(434,519)
Selling expenses	(40,318)	(326,714)	(159,081)	(326,714)
Administrative expenses	(1,853,901)	(950,563)	(7,895,683)	(1,161,205)
Operating loss	(2,244,429)	(3,312,421)	(10,053,582)	(3,523,063)
Finance income	146	–	1,791	–
Finance costs	–	–	(53,019)	–
Loss before tax	(2,244,283)	(3,312,421)	(10,104,810)	(3,523,063)
Income tax expense	–	(41,127)	–	–
Loss for the period from discontinued operation	(2,244,283)	(3,353,548)	(10,104,810)	(3,523,063)

6. EARNINGS/(LOSS) PER SHARE

(a) Basic

For continuing and discontinued operations – Basic

Basic earnings/(loss) per share is calculated by dividing the unaudited profit/(loss) attributable to owners of the Company of HK\$1,136,245 (2011: HK\$(3,922,049)) by the weighted average number of ordinary shares of 550,000,000 (2011: 550,000,000) in issue for the three months ended 31 December 2012. Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$5,638,958 (2011: HK\$1,677,794) by the weighted average number of ordinary shares of 550,000,000 (2011: 521,200,000) in issue for the nine months ended 31 December 2012.

For continuing operations – Basic

Basic earnings/(loss) per share for continuing operations is calculated by dividing the unaudited profit/(loss) attributable to owners of the Company of HK\$2,709,922 (2011: HK\$(1,584,685)) by the weighted average number of ordinary shares of 550,000,000 (2011: 550,000,000) in issue for the three months ended 31 December 2012. Basic earnings per share for continuing operations is calculated by dividing the unaudited profit attributable to owners of the Company of HK\$1,425,590 (2011: HK\$788,350) by the weighted average number of ordinary shares of 550,000,000 (2011: 521,200,000) in issue for the nine months ended 31 December 2012.

For discontinued operation – Basic

Basic loss per share for discontinued operation is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$1,573,677 (2011: HK\$2,337,364) by the weighted average number of ordinary shares of 550,000,000 (2011: 550,000,000) in issue for the three months ended 31 December 2012. Basic loss per share for discontinued operation is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$7,064,548 (2011: HK\$2,466,144) by the weighted average number of ordinary shares of 550,000,000 (2011: 521,200,000) in issue for the nine months ended 31 December 2012.

(b) For continuing and discontinued operations – Diluted

No diluted earnings/(loss) per share is presented as the Company did not have any potential dilutive ordinary shares outstanding for the three and nine months ended 31 December 2012 (2011: Nil).

7. DIVIDEND

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

8. RESERVES

	(Unaudited)								
	Attributable to owners of the Company							Non-	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Translation reserve	Retained earnings	Total HK\$	controlling interests HK\$	equity HK\$
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at 1 April 2011	-	-	2,181,559	-	-	40,315,837	42,497,396	-	42,497,396
Total comprehensive loss for the period	-	-	-	-	-	(1,677,794)	(1,677,794)	(1,056,919)	(2,734,713)
Issue of shares upon placing, net of share of issuance expenses	550,000	29,530,415	-	-	-	-	30,080,415	-	30,080,415
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	2,400,000	2,400,000
Transfer to statutory reserve	-	-	133,424	-	-	(133,424)	-	-	-
Balance at 31 December 2011	550,000	29,530,415	2,314,983	-	-	38,504,619	70,900,017	1,343,081	72,243,098
Balance at 1 April 2012	550,000	29,530,415	2,502,035	(191,847)	200,868	30,992,939	63,584,410	835,376	64,419,786
Total comprehensive loss for the period	-	-	-	-	-	(5,638,958)	(5,638,958)	(3,040,262)	(8,679,220)
Transfer to statutory reserve	-	-	282,532	-	-	(282,532)	-	-	-
Balance at 31 December 2012	550,000	29,530,415	2,784,567	(191,847)	200,868	25,071,449	57,945,452	(2,204,886)	55,740,566

9. CAPITAL COMMITMENTS

The Group's capital commitments for property, plant and equipment contracted but not provided for amounted to approximately HK\$388,000 (unaudited) at 31 December 2012 (31 March 2012: approximately HK\$380,000 (audited)).

10. CONTINGENT LIABILITIES

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

11. CHANGE OF COMPARATIVE FIGURES

Some expenses presented in the unaudited consolidated statement of comprehensive income were re-classified from cost of sales to administrative expenses as the Directors consider that the new presentation is more appropriate for the financial statements of the Group's business during the Financial Period.

COMPETING INTERESTS

Neither of the Directors, the compliance adviser and the substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) are or were interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Financial Period.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 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 are or were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors are as follows:

(i) Long position in the Shares

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding in the Company</u>
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

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity/Nature of interest</u>	<u>Number of securities held</u>	<u>Approximate percentage of shareholding in the Company</u>
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 TMF Trustees Singapore Limited, 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 TMF Trustees Singapore Limited as trustee on 28 April 2011. Mr. Yeung Shing Wai is the beneficiary of The Race Champion Trust. Mr. Yeung Tin Hung as settlor of The Race Champion Trust and Mr. Yeung Shing Wai, as beneficiary of The Race Champion Trust, are taken to be interested in the 385,000,000 shares held by Fairson Holdings (BVI) Limited pursuant to Part XV of the SFO.

Saved as disclosed above, as at 31 December 2012, none of the Directors, chief executives of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provision of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

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

So far as the Directors are aware, as at 31 December 2012, the following entities or persons (not being a Director or chief executive of the Company) had an interest and short position of 5% or more in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which are required pursuant to 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
TMF Trustees Singapore Limited	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%

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 TMF Trustees Singapore Limited, 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 TMF Trustees Singapore Limited as trustee on 28 April 2011. Mr. Yeung Shing Wai is the beneficiary of The Race Champion Trust. Mr. Yeung Tin Hung as settlor of The Race Champion Trust and Mr. Yeung Shing Wai, as beneficiary of The Race Champion Trust, are taken to be interested in the 385,000,000 Shares held by Fairson Holdings (BVI) Limited pursuant to Part XV of the SFO.

SHARE OPTION SCHEME

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

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

As at the date of the Report, the Company has not granted any options to the participants under the Scheme and there are no outstanding share options under the Scheme.

INTERESTS OF OTHER PERSONS

So far as is known to any Directors or chief executive of the Company, as at 31 December 2012, no person other than the Directors and substantial shareholders, whose interests are set out above, had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

AUDIT COMMITTEE

The Company established an audit committee on 27 April 2011 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee is comprised of three independent non-executive Directors. The audit committee has reviewed the third quarterly unaudited consolidated results for the Financial Period.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Quam Capital Limited ("Quam"), the compliance adviser of the Company, neither Quam or any of its directors, employees or associates (as referred to in Rule 6A.32 of the GEM Listing Rules) had any interests in the securities of the Company, or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company as at 31 December 2012. Pursuant to the compliance advisory agreement dated 6 May 2011 entered into between Quam and the Company, Quam has received and will receive fees for acting as the compliance adviser of the Company.

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

Neither the Company or any of its subsidiaries have purchased, sold, or redeemed any of the listed securities of the Company during the Financial Period.

By order of the Board
Yeung Tin Hung
Chairman

Hong Kong, 4 February 2013

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