



Takson Holdings Limited
第一德勝控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

Interim Report
And
Unaudited Condensed Consolidated
Interim Financial Information

For the six months ended 30th September, 2016

* *For identification purpose only*

CONTENTS**PAGES**

Management Commentary	1
Other Information Provided In Accordance with the Listing Rules	4
Condensed Consolidated Statement of Comprehensive Income	9
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Consolidated Interim Financial Information	14

MANAGEMENT COMMENTARY

The Board of Directors (the “Board”) of Takson Holdings Limited (the “Company”) presents the interim report and the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2016 (the “Review Period”), together with the comparatives. The condensed consolidated interim financial information has been reviewed by the Company’s audit committee, but has not been reviewed by the Company’s auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

The Group recorded a turnover of HK\$107.3 million in the Review Period, representing a decrease of 28.3% compared to the corresponding previous period. Gross profit margin increased from 24.2% in the corresponding previous period to 24.9% in the Review Period. Net profit attributable to the equity holders of the Company was approximately HK\$2.2 million, representing a decrease of approximately 79.4% from the corresponding previous period.

Business Overview

Export business

In the Review Period, the Group continued to focus on Original Design Manufacturer business with higher value added. Total turnover in the Review Period decreased by 28.8% to HK\$105.6 million compared with the corresponding previous period due to warmer weather in the USA in the fall of 2015 resulting in the Group’s US customers carrying higher inventory and therefore less orders have been placed with the Group in the Review Period. Gross profit margin increased slightly from approximately 23.5% in the corresponding previous period to approximately 23.6% in the Review Period. Selling, distribution and marketing expenses decreased by 25.7% to HK\$6.3 million due to less spending in product development and business trips taken. Administrative expenses increased by 0.2% mainly due to consultancy fee paid to explore other business opportunities and the renovation of directors’ new quarter while other general administrative expenses decreased in line with business volume. Finance cost increased by 4.8% due to higher utilization of bank loans to finance the Group’s operations.

Property investment

The Group continued to lease its investment properties in Hong Kong and China and recorded rental income of HK\$1.75 million compared to HK\$1.33 million in the corresponding previous period. The increase in rental income was due to the revision of rental arising from new lease in Hong Kong during the Review Period. As at the end of the Review Period, all investment properties were fully let out.

Prospects

With the dwindling of its export business in the last two years, the Board has been looking for other business opportunities in China and the USA to diversify the Group's earning base and such study has yet to be formulated into a business plan. Following the disposal of the controlling shareholdings in the Company by Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita, Executive Directors of the Company, in September 2016, the Board continued to carry on the existing businesses of the Group pending the appointment of a new Board which would take place after the close of the unconditional mandatory cash offer on 21st November, 2016. It is expected that the new Board, which comprises of experienced professionals with diversified background and strong business acumen, will assume office with effect from 22nd November, 2016. Further details of the new Board will be disclosed in a separate announcement of the Company. The new Board will draw the road map for the Group and communicate it with the shareholders and the investing public in due course.

Liquidity and Financial Resources

The Group generally finances its operations with its own working capital, trade facilities and revolving bank loans provided by its principal bankers in Hong Kong. Total net cash inflow from operations amounted to approximately HK\$19.9 million for the Review Period (2015: HK\$36.4 million).

As at 30th September, 2016, the Group's net borrowings comprised bank loans and obligations under finance leases, the aggregate amount of which was approximately HK\$81.2 million (as at 31st March, 2016: HK\$91.8 million). Among the total outstanding amounts of bank loans and obligations under finance leases as at 30th September, 2016, 87 % (as at 31st March, 2016: 87%) are repayable within one year, 3% (as at 31st March, 2016: 3%) are repayable in the second year and the remaining 10% (as at 31st March, 2016: 10%) are repayable in the third to fifth year. The Group's loans from a bank are subject to floating interest rates while obligations under finance leases are subject to fixed interest rates.

The ratio of current assets to current liabilities of the Group was 0.28 as at 30th September, 2016 compared to 0.38 as at 31st March, 2016. The Group's gearing ratio as at 30th September, 2016 was 0.68 (as at 31st March, 2016: 0.73) which is calculated based on the Group's total liabilities of HK\$ 89.6 million (as at 31st March, 2016: HK\$108.5 million) and the Group's total assets of HK\$131.7 million (as at 31st March, 2016: HK\$148.5 million). As at 30th September, 2016, the Group's total cash and bank balances amounted to HK\$10.0 million compared to HK\$8.0 million as at 31st March, 2016.

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Hong Kong dollars, Renminbi, and United States dollars. The Group maintains a prudent strategy in its foreign exchange risk management, with the foreign exchange risks being minimized through balancing the monetary assets versus monetary liabilities, and foreign currency revenue versus foreign currency expenditure.

CHARGE OF ASSETS

As at 30th September, 2016, the investment properties and leasehold land and buildings in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK\$100.8 million (as at 31st March, 2016: HK\$101.5 million) and a fixed deposit of HK\$4.5 million (as at 31st March, 2016: HK\$4.5 million) were pledged as first legal charge for the Group's banking facilities.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed corporate guarantees with respect to banking facilities made available to its subsidiaries. As at 30th September, 2016, the facilities utilised amounted to HK\$81.2 million (as at 31st March, 2016: HK\$91.8 million).

Except for the foregoing, as at 30th September, 2016, the Group had no other significant contingent liabilities or pending litigation.

EMPLOYEES

As at 30th September, 2016, the Group had a total of 42 employees, as compared to 45 employees as at 31st March, 2016. Staff costs including directors' remuneration were approximately HK\$12.5 million and HK\$14.0 million for the Review Period and the six months ended 30th September, 2015 respectively.

The Group remunerates its employees (including directors) primarily with reference to the industry practices, including contributory provident funds, insurance and medical benefits. The emoluments of the directors are determined by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Group has also adopted a discretionary bonus scheme for the management and the staff with awards which are determined annually based upon the performance of the Group and individual employees.

The Company operates a share option scheme (the "Scheme") whereby the Board may at their absolute discretion, grant options to employees and executive directors of the Company and any of its subsidiaries to subscribe for shares in the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme.

OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED COMPANIES

As at 30th September, 2016, the interests and short positions of each of the Directors, and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

Long positions

Name of directors	Number of ordinary shares in the Company beneficially held			Total interests	Percentage of holding
	Personal interests	Family interests	Corporate interests		
Dr. Motwani, Manoj Kumar	500,000	0	1,394,000	1,894,000	0.24%

Save as disclosed above, as at 30th September, 2016, none of the Directors and Chief Executives of the Company (including their spouse and children under 18 years of age) had any other interests or short positions in the shares or underlying shares, or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 30th September, 2016, the Company had been notified of the following substantial shareholders' interests and long positions, being 5% or more of the Company's issued share capital.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED COMPANIES (*continued*)

Name of substantial shareholder	Capacity	Number of ordinary shares beneficially held	Percentage of holding
State Energy HK Limited (<i>Note 1</i>)	Beneficial owner	514,897,600	66.40%
National Business Holdings Group Co. Limited (<i>Note 2</i>)	Interest of a controlled corporation	514,897,600	66.40%
Shanghai Guoming Equity Investment Fund Management Co. Limited (<i>Note 3</i>)	Interest of a controlled corporation	514,897,600	66.40%
Shanghai Zhongshe Equity Investment Fund Co. Limited (<i>Note 4</i>)	Interest of a controlled corporation	514,897,600	66.40%
Niu Fang	Interest of a controlled corporation	514,897,600	66.40%
Liu Quanhai	Interest of a controlled corporation	514,897,600	66.40%
Hu Zhangcui (<i>Note 5</i>)	Family interest	514,897,600	66.40%

Note:

1. State Energy HK Limited is wholly owned by National Business Holdings Group Co. Limited.
2. National Business Holdings Group Co. Limited is owned as to approximately 66.67% by Shanghai Guoming Equity Investment Fund Management Co. Limited and 33.33% by Shanghai Zhongshe Equity Investment Fund Co. Limited.
3. Shanghai Guoming Equity Investment Fund Management Co. Limited is owned as to 70% by Mr. Liu Quanhui and 30% by Ms. Niu Fang.
4. Shanghai Zhongshe Equity Investment Fund Co. Limited is owned as to 20% by Mr. Liu Quanhui and 80% by Ms. Niu Fang.
5. Ms. Hu Zhangcui is the spouse of Mr. Liu Quanhai. Ms. Hu is deemed to be interested in the same number of shares in which Mr. Liu Quanhai is interested.

Save as disclosed above, as at 30th September, 2016, no other person was recorded in the register of substantial shareholders maintained under Section 336 of Part XV of the SFO as having an interest or short positions in 5% or more of the issued share capital of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED COMPANIES *(continued)*

Share Option Scheme

The share option scheme (the “Share Option Scheme”) which became effective on 30th September, 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme may not in aggregate exceed 77,540,600, being 10% of the shares in issue of the Company as at 28th September, 2016, the date of the Annual General Meeting, on which the adoption of the Share Option Scheme was approved. The offer of a grant may be accepted upon payment of a nominal consideration of HK\$1 per acceptance.

The exercise price of the share options granted under the Share Option Scheme is determined by the Board, but shall not be less than the highest of (i) the nominal value of the Company’s shares, (ii) the closing price of the Company’s shares on the Stock Exchange on the date of grant and (iii) the average closing price of the Company’s shares on the Stock Exchange for the five trading days immediately preceding the date of grant.

During the Review Period, no option under the above option scheme was granted, exercised nor forfeited and no option was outstanding as at 30th September 2016.

At no time during the Review Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and Chief Executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Review Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the Review Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the Review Period, except for the deviations discussed below.

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of the Chairman and Chief Executive Officer of the Company should be separated and should not be performed by the same individual.

The Company has deviated from the Code provision A.2.1 and the roles of the Chairman and the Chief Executive Officer of the Company are now performed by the same person. Mr. Wong Tek Sun, Takson now assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board intends to maintain this structure for the time being as it believes that this structure can provide the Group with strong and consistent leadership and allows more effective planning and execution of long-term business strategies.

Code provision A.4.1

Code provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term and are subject to re-election.

The Company has deviated from the Code provision A.4.1. The Non-executive Directors (including Independent Non-executive Directors) are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting pursuant to Bye-law 87 of the Company’s Bye-laws.

The Board believes that, despite the absence of specified term of Non-executive Directors, the Directors are committed to represent the long-term interests of the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules, as the code of conduct regarding securities transactions of the Directors. Having made specific enquiry of all Directors, they all confirmed that they have complied with the Model Code during the Review Period.

AUDIT COMMITTEE

The Audit Committee comprises two Independent Non-executive Directors, Mr. Wong Kwok Tai and Dr. Motwani, Manoj Kumar and a Non-executive Director, Mr. Wong Tak Yuen.

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Directors and the Company’s auditor in those matters coming within the scope of the audit of the Group. It also reviews the effectiveness of the external audit, the internal controls, risk evaluation and financial reporting matters including review of the interim report and the unaudited condensed consolidated interim financial information for the Review Period with the Directors.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2016

		Unaudited	
		Six months ended	
		30th September,	
		2016	2015
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	4	107,327	149,548
Cost of sales		(80,624)	(113,405)
Gross profit		26,703	36,143
Other income		136	708
Selling, distribution and marketing expenses		(6,292)	(8,466)
Administrative expenses		(15,715)	(15,686)
Net loss on foreign currency forward contracts		(1,071)	(649)
Operating profit		3,761	12,050
Finance costs	5	(1,588)	(1,515)
Profit before taxation	6	2,173	10,535
Income tax	8	—	—
Profit for the period		2,173	10,535
Total comprehensive income for the period		2,173	10,535
Profit for the period attributable to:			
Equity holders of the Company		2,173	10,535
Total comprehensive income attributable to:			
Equity holders of the Company		2,173	10,535
Earnings per share attributable to the equity holders of the Company during the period			
— basic (<i>HK cents</i>)	9	0.28	1.36
— diluted (<i>HK cents</i>)	9	0.28	1.36

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September, 2016

		Unaudited 30th September, 2016 <i>HK\$'000</i>	Audited 31st March, 2016 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	11,131	11,452
Leasehold land	<i>11</i>	15,222	15,467
Investment properties	<i>11</i>	78,790	78,790
Deferred tax assets		3,107	3,107
		<u>108,250</u>	<u>108,816</u>
Current assets			
Inventories		197	1,260
Trade receivables	<i>12</i>	1,629	759
Deposits, prepayments and other receivables		7,169	25,101
Pledged bank deposit		4,510	4,509
Cash and cash equivalents		9,963	8,009
		<u>23,468</u>	<u>39,638</u>
Total assets		<u><u>131,718</u></u>	<u><u>148,454</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	<i>15</i>	77,540	77,540
Reserves		(35,447)	(37,620)
Total equity		<u>42,093</u>	<u>39,920</u>
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	<i>16</i>	434	614
Deferred tax liabilities		4,780	4,780
		<u>5,214</u>	<u>5,394</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30th September, 2016

		Unaudited 30th September, 2016 <i>HK\$'000</i>	Audited 31st March, 2016 <i>HK\$'000</i>
	<i>Note</i>		
Current liabilities			
Trade payables	<i>13</i>	1,591	2,407
Other payables and accrued charges		2,090	5,070
Derivative financial liability	<i>14</i>	—	4,499
Bank borrowings and obligations under finance leases	<i>16</i>	80,730	91,164
		84,411	103,140
		<u>84,411</u>	<u>103,140</u>
Total liabilities		89,625	108,534
		<u>89,625</u>	<u>108,534</u>
Total equity and liabilities		131,718	148,454
		<u>131,718</u>	<u>148,454</u>
Net current liabilities		(60,943)	(63,502)
		<u>(60,943)</u>	<u>(63,502)</u>
Total assets less current liabilities		47,307	45,314
		<u>47,307</u>	<u>45,314</u>

The accompanying notes are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2016

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Consolidation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st April, 2015	77,540	66,894	11,162	2,214	(988)	(91,610)	65,212
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,535</u>	<u>10,535</u>
Balance at 30th September, 2015	<u>77,540</u>	<u>66,894</u>	<u>11,162</u>	<u>2,214</u>	<u>(988)</u>	<u>(81,075)</u>	<u>75,747</u>
Balance at 1st April, 2016	77,540	66,894	11,463	2,214	(988)	(117,203)	39,920
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,173</u>	<u>2,173</u>
Balance at 30th September, 2016	<u>77,540</u>	<u>66,894</u>	<u>11,463</u>	<u>2,214</u>	<u>(988)</u>	<u>(115,030)</u>	<u>42,093</u>

The accompanying notes are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September, 2016

	Unaudited	
	Six months ended 30th	
	September,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	19,884	36,417
Net cash outflow from investing activities	(5,741)	(603)
Net cash outflow from financing activities	<u>(12,189)</u>	<u>(2,147)</u>
Net increase in cash and cash equivalents	1,954	33,667
Cash and cash equivalents at beginning of period	<u>8,009</u>	<u>8,413</u>
Cash and cash equivalents at end of period	<u><u>9,963</u></u>	<u><u>42,080</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	<u><u>9,963</u></u>	<u><u>42,080</u></u>

The accompanying notes are an integral part of the condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Takson Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products, and property investment.

The Company is a limited liability company incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Room 512-513, 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong.

These condensed consolidated interim financial information has been approved for issue by the Board of Directors on 22nd November, 2016.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

3. ACCOUNTING POLICIES

The accounting policies and method of the computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual report for the year ended 31st March, 2016. The Group has adopted new or revised standards, amendments to standards and interpretation of Hong Kong Financial Reporting Standards (“HKFRSs”) which are effective for accounting period commencing on or after 1st April, 2016. The adoption of such new or revised standards, amendments to standards and interpretation does not have material impact on the Interim Financial Statements and does not result in substantial changes to the Group’s accounting policies. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The directors anticipate that the application of these new standards, amendments and interpretations will have no material impact on the unaudited condensed consolidated financial statements.

4. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products, and property investment. Revenue recognised during the period is as follows:

By business segments:

	Six months ended 30th September, 2016 HK\$'000		
	Export business	Property investment	Total
Turnover	<u>105,580</u>	<u>1,747</u>	<u>107,327</u>
Segment operating profit/(loss)	<u>13,714</u>	<u>(5,643)</u>	<u>8,071</u>
Unallocated corporate expenses			<u>(4,310)</u>
Operating profit			<u>3,761</u>
Finance costs	<u>(1,514)</u>	<u>(74)</u>	<u>(1,588)</u>
Profit before taxation			<u>2,173</u>
Income tax			<u>—</u>
Profit for the period			<u>2,173</u>

	Six months ended 30th September, 2015 HK\$'000		
	Export business	Property investment	Total
Turnover	<u>148,220</u>	<u>1,328</u>	<u>149,548</u>
Segment operating profit/(loss)	<u>21,280</u>	<u>(5,831)</u>	<u>15,449</u>
Unallocated corporate expenses			<u>(3,399)</u>
Operating profit			<u>12,050</u>
Finance costs	<u>(1,442)</u>	<u>(73)</u>	<u>(1,515)</u>
Profit before taxation			<u>10,535</u>
Income tax			<u>—</u>
Profit for the period			<u>10,535</u>

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

By geographical segments:

	Turnover	
	Six months ended 30th September,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
United States of America	105,580	143,701
Canada	—	4,519
Others	1,747	1,328
	<u>107,327</u>	<u>149,548</u>

5. FINANCE COSTS

	Export business		Property investment		Total	
	Six months ended 30th September,		Six months ended 30th September,		Six months ended 30th September,	
	2016	2015	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	1,497	1,427	74	73	1,571	1,500
Interest element of finance lease obligations	<u>17</u>	<u>15</u>	<u>—</u>	<u>—</u>	<u>17</u>	<u>15</u>
	<u>1,514</u>	<u>1,442</u>	<u>74</u>	<u>73</u>	<u>1,588</u>	<u>1,515</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is stated after crediting and charging the following:

	Export business		Property investment		Total	
	Six months ended 30th September, 2016		Six months ended 30th September, 2015		Six months ended 30th September, 2016	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting						
Interest income	13	152	—	—	13	152
Rental income	—	—	1,747	1,328	1,747	1,328
	<u>13</u>	<u>152</u>	<u>1,747</u>	<u>1,328</u>	<u>1,747</u>	<u>1,328</u>
Charging						
Cost of						
inventories sold	80,624	113,405	—	—	80,624	113,405
Amortisation of leasehold land	—	—	245	245	245	245
Depreciation	294	321	197	124	491	445
Operating lease rentals in respect of land and buildings	1,145	1,165	—	—	1,145	1,165
Staff costs, including directors' emoluments (Note 7)	5,815	7,407	6,718	6,587	12,533	13,994
	<u>5,815</u>	<u>7,407</u>	<u>6,718</u>	<u>6,587</u>	<u>12,533</u>	<u>13,994</u>

7. STAFF COSTS

	Export business		Property investment		Total	
	Six months ended 30th September, 2016		Six months ended 30th September, 2015		Six months ended 30th September, 2016	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	5,603	7,144	6,682	6,551	12,285	13,695
Retirement benefit costs	212	263	36	36	248	299
	<u>5,815</u>	<u>7,407</u>	<u>6,718</u>	<u>6,587</u>	<u>12,533</u>	<u>13,994</u>

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had available tax losses brought forward to offset the assessable profits generated during the period (2015: HK\$ Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30th September, 2016		2015
Profit attributable to the equity holders of the Company (HK\$'000)	<u>2,173</u>	<u>10,535</u>	
Weighted average number of ordinary shares in issue (thousands)	<u>775,406</u>	<u>775,406</u>	
Basic earnings per share (HK cents)	<u>0.28</u>	<u>1.36</u>	
Diluted earnings per share (HK cents)	<u>0.28</u>	<u>1.36</u>	

10. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2016 (2015: HK\$ Nil).

11. CAPITAL EXPENDITURE

	Investment properties <i>HK\$'000</i>	Property, plant & equipment <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>	Total <i>HK\$'000</i>
Opening net book amount as at 1st April, 2015	82,326	11,204	15,959	109,489
Additions	—	595	—	595
Disposals	—	(1)	—	(1)
Amortisation/depreciation	—	(445)	(245)	(690)
	<u>82,326</u>	<u>11,353</u>	<u>15,714</u>	<u>109,393</u>
Closing net book amount as at 30th September, 2015	<u>82,326</u>	<u>11,353</u>	<u>15,714</u>	<u>109,393</u>
Opening net book amount as at 1st April, 2016	78,790	11,452	15,467	105,709
Additions	—	170	—	170
Amortisation/depreciation	—	(491)	(245)	(736)
	<u>78,790</u>	<u>11,131</u>	<u>15,222</u>	<u>105,143</u>
Closing net book amount as at 30th September, 2016	<u>78,790</u>	<u>11,131</u>	<u>15,222</u>	<u>105,143</u>

12. TRADE RECEIVABLES

At 30th September, 2016, the ageing analysis of trade receivables is as follows:

	30th September, 2016 <i>HK\$'000</i>	31st March, 2016 <i>HK\$'000</i>
0 – 30 days	1,587	—
1 to 2 months	—	—
Over 3 months	42	759
	<u>1,629</u>	<u>759</u>

12. TRADE RECEIVABLES *(continued)*

All trade receivables were denominated in US dollars.

Majority of the Group's export sales are generally on open account of 15 days and letter of credit at sight. The Group considers that the trade receivables as at 30th September, 2016 is fully recoverable and believes that no impairment allowance is necessary.

13. TRADE PAYABLES

At 30th September, 2016, the ageing analysis of trade payables is as follows:

	30th September, 2016 <i>HK\$'000</i>	31st March, 2016 <i>HK\$'000</i>
0 – 30 days	1,444	2,289
1 to 3 months	29	—
4 to 6 months	—	—
Over 6 months	<u>118</u>	<u>118</u>
	<u>1,591</u>	<u>2,407</u>

All trade payables are denominated in US dollars.

Payment terms with suppliers are generally on letters of credit and open account. Certain suppliers grant credit terms between 30 to 60 days.

14. DERIVATIVE FINANCIAL LIABILITY

	30th September, 2016 <i>HK\$'000</i>	31st March, 2016 <i>HK\$'000</i>
Derivative financial liability:		
Foreign currency forward contract	<u>—</u>	<u>4,499</u>

For the year ended 31st March 2016, the Group entered into a RMB/USD net-settled structured foreign currency forward contract of US\$1.2 million notional amount with 14 equal monthly settlements to manage its foreign currency risk. The market value of the contract as at 31st March, 2016 was a loss of HK\$4.5 million and the contract was unwound and the resultant loss of HK\$1.1 million reflected in the statement of comprehensive income for the six months ended 30th September, 2016.

15. SHARE CAPITAL

	Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
At 31st March, 2016 and 30th September, 2016	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 31st March, 2016 and 30th September, 2016	<u>775,406,000</u>	<u>77,540</u>

16. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES

- (a) At 30th September, 2016, the Group's bank loans and obligations under finance leases are repayable as follows:

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Obligations under finance lease	901	1,185
Bank loans — secured	<u>80,263</u>	<u>90,593</u>
	<u>81,164</u>	<u>91,778</u>
Obligations under finance leases repayable		
Within one year	467	571
Between one and two years	140	249
Between two and five years	<u>294</u>	<u>365</u>
	<u>901</u>	<u>1,185</u>
Secured bank loans that contain a repayable on demand clause		
— repayable within one year	69,839	79,134
— repayable after one year (shown under current liabilities)	<u>10,424</u>	<u>11,459</u>

16. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES *(continued)*

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
	80,263	90,593
	81,164	91,778
Amount repayable within one year included under current liabilities	(80,730)	(91,164)
Amount repayable after one year	434	614

- (b) The carrying amounts of the bank borrowings and obligations under finance leases are denominated in the following currencies:

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Hong Kong Dollars	21,901	37,185
United States Dollars	59,263	54,593
	81,164	91,778

- (c) The effective interest rates for the Group's bank loans at the balance sheet date were as follows:

	30th September, 2016	31st March, 2016
Hong Kong Dollars	4.3%	3.3%
United States Dollars	3.4%	3.5%

17. BANKING FACILITIES

As at 30th September, 2016, the Group's banking facilities amounting to approximately HK\$145.5 million (31st March, 2016: approximately HK\$147.0 million) were secured by the following:

- (a) first legal charge over the Group's investment properties and leasehold land and buildings in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK\$100.8 million (31st March, 2016: approximately HK\$101.5 million);
- (b) charge over bank deposit of HK\$4.5 million; and
- (c) corporate guarantees from the Company and certain of its subsidiaries.

18. CONTINGENT LIABILITIES

The Company has executed corporate guarantees with respect to banking facilities made available to its subsidiaries. As at 30th September, 2016, the facilities utilised amounted to HK\$81.2 million (as at 31st March, 2016: HK\$91.8 million).

Except for the foregoing, as at 30th September, 2016, the Group had no other significant contingent liabilities or pending litigation.

19. COMMITMENTS

(a) Capital commitments

The Group and the Company had no material capital commitments as at 30th September, 2016 and 31st March, 2016.

(b) Commitments under operating leases

- (i) At 30th September, 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Not later than one year	303	463
Later than one year and not later than five years	—	54
	303	517

19. COMMITMENTS *(continued)*

(b) Commitments under operating leases *(continued)*

- (ii) At 30th September, 2016, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Not later than one year	2,873	3,641
Later than one year and not later than five years	503	1,594
	<u>3,976</u>	<u>5,235</u>

20. RELATED-PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group or any member of its key management personnel or their close family members has the ability, directly or indirectly, to exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control or significant influence. Related parties may be individuals or entities.

Key management compensation

	Six months ended 30th September,	
	2016	2015
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	<u>5,939</u>	<u>5,874</u>

By Order of the Board
Wong Tek Sun, Takson
Chairman

Hong Kong, 22nd November, 2016

As at the date of this report, the Board of Directors of the Company comprises (1) two Executive Directors, namely Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita; three Independent Non-executive Directors, namely Mr. Cunningham, James Patrick, Mr. Wong Kwok Tai and Dr. Motwani, Manoj Kumar; and two Non-executive Directors, namely Mr. Wong Tak Yuen and Ms. Pang She Kwok, Szwina, all of whom have resigned with effect from 5 p.m. on 22nd November, 2016; and (2) three executive Directors, namely Mr. Ren Qinxin, Mr. Zhou Xinyu, and Ms. Niu Fang; and three independent non-executive Directors, namely Ms. Ni Lijun, Mr. Shen Guoquan and Ms. Meng Rongfang, all of whom have been appointed with effect from 5 p.m. on 22nd November, 2016.