



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, 2012

* *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 Flow	13
Notes to the Condensed Consolidated Interim Financial Information	13

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, 2012 (the “Review Period”), together with the comparatives. These condensed consolidated interim financial information have been reviewed by the Company’s audit committee, but have not been reviewed by the Company’s auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

The Group recorded a turnover of HK\$146.0 million in the Review Period, representing an increase of 125% compared to the corresponding previous period. Gross profit margin decreased from 22.7% in the corresponding previous period to 18.6% in the Review Period. Net profit attributable to the equity holders of the Company was approximately HK\$12,671,000, representing an increase of approximately 9.7 times from the corresponding previous period.

Business Overview

Export business

In the Review Period, the Group focused its effort in Original Design Manufacturer (“ODM”) business and received encouraging response from its existing and new customers. Outdoor apparels launched in the Review Period achieved turnover of approximately HK\$70 million, together with additional orders from existing customers saw total turnover in the Review Period increased by 127.7% to HK\$144.5 million compared with the corresponding previous period. On the other hand, gross profit margin decreased from approximately 20.9% in the corresponding previous period to approximately 18.8% in the Review Period. The decrease was due to the investment by the Group in newly launched product line which used the best available materials in the market with special functions and performance standards which surpassed the stringent requirements of its customers. Sub-contracting costs also increased slightly due to high standard workmanship required for the new product line. The Group’s effective cost control measures resulted in acceptable increase of selling, distribution and marketing expenses by 25.6% (compared with increase in turnover by 127.7%) and reduction in administrative expenses by 5.7%. Finance cost increased by 107% due to general rise in bank interest rate and increase in utilization of banking facilities for its export business.

Property investment

The Group continued to lease its investment properties in Hong Kong and China and recorded rental income of HK\$1.51 million compared to HK\$1.45 million in the corresponding previous period. As at the end of the Review Period, all investment properties were fully let out.

Prospects

With the success of its ODM business and new product lines launched in the Review Period, the Group will put more resources in expanding its ODM business which offers reasonable margins and also provide value for money procurement services to its OEM customers. Following the success of the ODM business in the Review Period, the 2013 fall winter collection was presented to customers with encouraging feedback. The Group is optimistic that the order book for 2013 will show marked increase. Besides the ODM business, the Group will also tap into OBM (Own Brand & Manufacturing) business when suitable opportunity arises. The property investment business continues to provide a steady stream of income to the Group. The Board is optimistic of the future of the Group.

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\$31.8 million for the Review Period (2011: HK\$4.1 million).

As at 30th September, 2012, the Group's net borrowings comprised bank loans and obligations under finance leases, the aggregate amount of which was approximately HK\$55.0 million (as at 31st March, 2012: HK\$ 50.4 million). Among the total outstanding amounts of bank loans and obligations under finance leases as at 30th September, 2012, 87% (as at 31st March, 2012: 72%) are repayable within one year, 6% (as at 31st March, 2012: 6%) are repayable in the second year and the remaining balance 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 0.63 as at 30th September, 2012 compared to 0.26 as at 31st March, 2012. The Group's gearing ratio as at 30th September, 2012 was 0.60 (as at 31st March, 2012: 0.57) which is calculated based on the Group's total liabilities of HK\$90.3 million (as at 31st March, 2012: HK\$63.0 million) and the Group's total assets of HK\$150.5 million (as at 31st March, 2012: HK\$110.5 million). As at 30th September, 2012, the Group's total cash and bank balances amounted to HK\$33.1 million compared to HK\$2.7 million as at 31st March, 2012.

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. The Group did not use any financial instrument to hedge against foreign currency risk.

CHARGE OF ASSETS

As at 30th September, 2012, 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\$92.7 million (as at 31st March, 2012: HK\$93.0 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, 2012, the facilities utilised amounted to HK\$55.0 million (as at 31st March, 2012: HK\$50.5 million).

Except for the foregoing, as at 30th September, 2012, the Group had no other significant contingent liabilities or pending litigation.

EMPLOYEES

As at 30th September, 2012, the Group had a total of 37 employees, as compared to 35 employees as at 31st March, 2012. Staff costs including directors' remuneration were approximately HK\$7.9 million and HK\$7.2 million for the Review Period and the six months ended 30th September, 2011 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 of Directors 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, 2012, 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				Percentage of holding
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Wong Tek Sun, Takson	211,799,600	17,978,000	285,120,000 (Note)	514,897,600	66.49%
Ms. Pang Shu Yuk, Adeline Rita	17,978,000	211,799,600	285,120,000 (Note)	514,897,600	66.49%

Note:

Such shares are held by Takson International Holdings Limited, the entire issued share capital of which is held by Wangkin Investments Inc. (“WII”) as trustee of the Wangkin Investments Unit Trust (the “Unit Trust”). All issued and outstanding units in the Unit Trust are beneficially held by Guardian Trustee Limited as trustee of the Wang & Kin Family Trust (the “Family Trust”). The discretionary beneficiaries of the Family Trust are, inter alia, Ms. Pang Shu Yuk, Adeline Rita and the children of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita, namely, Mr. Wong Chi Wang, Calvin and Mr. Wong Chi Kin, Christopher.

Mr. Wong Tek Sun, Takson, being an executive Director of the Company, owns 50% of the issued share capital of WII and he, as one of the founders of the Family Trust, the husband of Ms. Pang Shu Yuk, Adeline Rita and the father of Mr. Wong Chi Kin, Christopher who is under the age of 18, is deemed to have interests in 285,120,000 shares held by Takson International Holdings Limited in the issued share capital of the Company under the SFO.

Ms. Pang Shu Yuk, Adeline Rita, being an executive Director of the Company, owns 50% of the issued share capital of WII and she, as one of the discretionary beneficiaries of the Family Trust and the mother of Mr. Wong Chi Kin, Christopher who is under the age of 18, is deemed to have interests in the 285,120,000 shares held by Takson International Holdings Limited in the issued share capital of the Company under the SFO.

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

Save as disclosed above, as at 30th September, 2012, 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, 2012, 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.

Name of substantial shareholders	Capacity	Number of ordinary shares beneficially held	Percentage of holding
Wong Tek Sun, Takson	Personal and family interest	229,777,600	29.67%
Pang Shu Yuk, Adeline Rita	Personal and family interest	229,777,600	29.67%
Wangkin Investments Inc. <i>(Note)</i>	Interest of a controlled corporation	285,120,000	36.82%
Takson International Holdings Limited <i>(Note)</i>	Beneficial owner	285,120,000	36.82%

Note: Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc., which in turn is owned as to 50% by Mr. Wong Tek Sun, Takson, and as to 50% by Ms. Pang Shu Yuk, Adeline Rita, both of whom being the executive Directors of the Company.

Save as disclosed above, as at 30th September, 2012, 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 long 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 4th October, 2006 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 71,740,000, being 10% of the shares in issue of the Company as at 25th August, 2008, the date of the Annual General Meeting, on which the limit of the Share Option Scheme was refreshed. 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, movements in the number of options which have been granted to certain directors, employees and others under the Company's share option scheme are as follows:

	Option type	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at end of the period
Executive Directors						
Mr. Wong Tek Sun, Takson	2010 Lot 1	7,266,000	—	—	—	7,266,000
	2011 Lot 1	7,266,000	—	—	—	7,266,000
Ms. Pang Shu Yuk, Adeline Rita	2010 Lot 1	7,266,000	—	—	—	7,266,000
	2011 Lot 1	7,266,000	—	—	—	7,266,000
		<u>29,064,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>29,064,000</u>
Employees	2011 Lot 1	950,000	—	—	—	950,000
		<u>30,014,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>30,014,000</u>

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 (continued)

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$	Fair value at grant date HK\$
2010 Lot 1	01/04/10	1/1/11 to 31/12/12	0.325	0.182
2011 Lot 1	04/10/11	1/1/13 to 31/12/13	0.185	0.077

Apart from the aforesaid, 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 (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 separate 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

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 Mr. Chau Tsun Ming, Jimmy, 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, 2012

		Unaudited	
		Six months ended	
		30th September,	
		2012	2011
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	4	146,045	64,919
Cost of sales		(118,890)	(50,153)
Gross profit		27,155	14,766
Other income		282	158
Selling, distribution and marketing expenses		(3,968)	(3,160)
Administrative expenses		(9,285)	(9,850)
Operating profit	5	14,184	1,914
Finance costs	6	(1,513)	(731)
Profit before taxation		12,671	1,183
Income tax	8	—	—
Profit for the period		12,671	1,183

There was no other comprehensive income or loss during the period.

Profit for the period attributable to:

Equity holders of the Company	12,671	1,183
-------------------------------	---------------	-------

Total comprehensive income attributable to:

Equity holders of the Company	12,671	1,183
-------------------------------	---------------	-------

Profit per share attributable to the equity holders of the Company during the period

— basic (HK cents)	9	1.64 cents	0.15 cents
--------------------	---	-------------------	------------

— diluted	9	N/A	N/A
-----------	---	------------	-----

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September, 2012

		Unaudited 30th September, 2012 <i>HK\$'000</i>	Audited 31st March, 2012 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	11	8,478	8,196
Leasehold land	11	17,192	17,438
Investment properties	11	70,240	70,240
		<u>95,910</u>	<u>95,874</u>
		-----	-----
Current assets			
Inventories		572	484
Trade and bills receivable	12	11,507	—
Deposits, prepayments and other receivables		9,434	11,453
Cash at bank and in hand		33,056	2,690
		<u>54,569</u>	<u>14,627</u>
		-----	-----
Total assets		<u>150,479</u>	<u>110,501</u>
		-----	-----
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	77,445	77,445
Reserves		(17,315)	(29,987)
		<u>60,130</u>	<u>47,458</u>
Total equity		<u>60,130</u>	<u>47,458</u>
		-----	-----
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	730	517
Post employment benefits	16	263	263
Deferred taxation		2,940	2,940
Loans from a director		—	4,000
		<u>3,933</u>	<u>7,720</u>
		-----	-----

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30th September, 2012

		Unaudited 30th September, 2012 <i>HK\$'000</i>	Audited 31st March, 2012 <i>HK\$'000</i>
	<i>Note</i>		
Current liabilities			
Trade payables	<i>13</i>	30,564	3,069
Other payables and accrued charges		1,619	2,315
Bank borrowings	<i>15</i>	54,233	49,939
		<u>86,416</u>	<u>55,323</u>
Total liabilities		<u>90,349</u>	<u>63,043</u>
Total equity and liabilities		<u>150,479</u>	<u>110,501</u>
Net current liabilities		<u>(31,847)</u>	<u>(40,696)</u>
Total assets less current liabilities		<u>64,063</u>	<u>55,178</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, 2012

	(Unaudited)								
	Share capital	Share premium	Revaluation reserve	Share option reserve	Share-based compensation reserve	Consolidation reserve	Translation reserve	Accumulated losses	Total
	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>
Balance at 1st April, 2011	<u>77,445</u>	<u>66,786</u>	<u>9,276</u>	<u>2,880</u>	<u>2,652</u>	<u>2,214</u>	<u>(988)</u>	<u>(105,782)</u>	<u>54,483</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,183</u>	<u>1,183</u>
Balance at 30th September, 2011	<u>77,445</u>	<u>66,786</u>	<u>9,276</u>	<u>2,880</u>	<u>2,652</u>	<u>2,214</u>	<u>(988)</u>	<u>(104,599)</u>	<u>55,666</u>
Balance at 1st April, 2012	<u>77,445</u>	<u>66,786</u>	<u>9,276</u>	<u>2,880</u>	<u>3,120</u>	<u>2,214</u>	<u>(988)</u>	<u>(113,275)</u>	<u>47,458</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>12,671</u>	<u>12,672</u>
Balance at 30th September, 2012	<u>77,445</u>	<u>66,786</u>	<u>9,276</u>	<u>2,880</u>	<u>3,120</u>	<u>2,214</u>	<u>(987)</u>	<u>(100,604)</u>	<u>60,130</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30th September, 2012

	Unaudited Six months ended 30th September,	
	2012	2011
	HK\$'000	HK\$'000
Net cash inflow from operating activities	31,785	4,062
Net cash outflow from investing activities	(658)	(66)
Net cash (outflow)/inflow from financing activities	(761)	3,884
Net increase in cash and cash equivalents	30,366	7,880
Cash and cash equivalents at beginning of period	2,690	14,125
Cash and cash equivalents at end of period	33,056	22,005
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	33,056	22,005

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 513, 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hungghom, Kowloon, Hong Kong.

These condensed consolidated interim financial information has been approved for issue by the Board of Directors on 29th October, 2012.

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 (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual accounts for the year ended 31st March, 2012.

Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

New and revised Standards and Interpretations applied with no material effects on the consolidated interim financial statements

The following new and revised Standards and Interpretations have also been applied in these consolidated interim financial statements. The application of these new and revised Standards and Interpretations does not have any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

3. ACCOUNTING POLICIES (continued)

New and revised Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities ³
HKAS 19 (as revised in 2011)	Employment Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

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, 2012 <i>HK\$'000</i>		
	Export business	Property investment	Total
Turnover	<u>144,537</u>	<u>1,508</u>	<u>146,045</u>
Segment operating profit/(loss)	<u>18,628</u>	<u>(3,278)</u>	<u>15,350</u>
Unallocated corporate expenses			<u>(1,166)</u>
Operating profit			<u>14,184</u>
Finance costs	<u>(1,432)</u>	<u>(81)</u>	<u>(1,513)</u>
Profit before taxation			<u>12,671</u>
Income tax			<u>—</u>
Profit for the period			<u>12,671</u>

	Six months ended 30th September, 2011 <i>HK\$'000</i>		
	Export business	Property investment	Total
Turnover	<u>63,465</u>	<u>1,454</u>	<u>64,919</u>
Segment operating profit/(loss)	<u>6,993</u>	<u>(3,196)</u>	<u>3,797</u>
Unallocated corporate expenses			<u>(1,883)</u>
Operating profit			<u>1,914</u>
Finance costs	<u>(637)</u>	<u>(94)</u>	<u>(731)</u>
Profit before taxation			<u>1,183</u>
Income tax			<u>—</u>
Profit for the period			<u>1,183</u>

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

By geographical segments:

	Turnover	
	Six months ended 30th September,	
	2012	2011
	HK\$'000	HK\$'000
United States of America	141,304	44,755
Canada	2,862	14,668
Others	1,879	5,496
	<u>146,045</u>	<u>64,919</u>

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Export business		Property investment		Total	
	Six months ended 30th September,		Six months ended 30th September,		Six months ended 30th September,	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting						
Interest income	245	155	—	—	245	155
Rental income	—	—	1,508	1,454	1,508	1,454
	<u>—</u>	<u>—</u>	<u>1,508</u>	<u>1,454</u>	<u>1,508</u>	<u>1,454</u>
Charging						
Cost of inventories sold	118,890	50,153	—	—	118,890	50,153
Amortisation of leasehold land	—	—	246	229	246	229
Depreciation						
Owned property, plant and equipment	117	107	159	163	276	270
Leased property, plant and equipment	112	133	—	—	112	133
Operating lease rentals in respect of land and buildings	750	773	—	—	750	773
Staff costs, including directors' emoluments (Note 7)	3,736	3,175	4,193	4,078	7,929	7,253
	<u>3,736</u>	<u>3,175</u>	<u>4,193</u>	<u>4,078</u>	<u>7,929</u>	<u>7,253</u>

6. FINANCE COSTS

	Export business		Property investment		Total	
	Six months ended 30th September, 2012		Six months ended 30th September, 2011		Six months ended 30th September, 2012	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans	1,365	604	81	94	1,446	698
Interest element of finance lease obligations	25	26	—	—	25	26
Other interest expense	42	7	—	—	42	7
	<u>1,432</u>	<u>637</u>	<u>81</u>	<u>94</u>	<u>1,513</u>	<u>731</u>

7. STAFF COSTS

	Export business		Property investment		Total	
	Six months ended 30th September, 2012		Six months ended 30th September, 2011		Six months ended 30th September, 2012	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	3,580	3,053	4,157	4,045	7,737	7,098
Retirement benefit costs	156	122	36	33	192	155
	<u>3,736</u>	<u>3,175</u>	<u>4,193</u>	<u>4,078</u>	<u>7,929</u>	<u>7,253</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 (2011: HK\$ NIL).

9. PROFIT PER SHARE

Basic profit 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.

	2012	2011
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	12,671	1,183
Weighted average number of ordinary shares in issue (<i>thousands</i>)	774,456	774,456
Basic profit per share (<i>HK cents per share</i>)	1.64	0.15

No diluted profit per share is presented for the six months ended 30th September, 2012 and 2011 as the outstanding share options are anti-dilutive.

10. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2012 (2011: 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, 2011	76,292	7,520	9,914	93,726
Transfer from investment properties	(9,364)	1,366	7,998	—
Additions	—	66	—	66
Amortisation/depreciation	—	(403)	(229)	(632)
Closing net book amount as at 30th September, 2011	66,928	8,549	17,683	93,160
Opening net book amount as at 1st April, 2012	70,240	8,196	17,438	95,874
Additions	—	958	—	958
Disposal	—	(288)	—	(288)
Amortisation/depreciation	—	(388)	(246)	(634)
Closing net book amount as at 30th September, 2012	70,240	8,478	17,192	95,910

12. TRADE AND BILLS RECEIVABLES

At 30th September, 2012, the ageing analysis of trade and bills receivables is as follows:

	30th September, 2012 HK\$'000	31st March, 2012 HK\$'000
Current	11,507	—
1 to 3 months	—	—
Over 3 months	—	—
	<u>11,507</u>	<u>—</u>

All trade receivables are 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, 2012 is fully recoverable and believes that no impairment allowance is necessary.

13. TRADE PAYABLES

At 30th September, 2012, the ageing analysis of trade payables is as follows:

	30th September, 2012 HK\$'000	31st March, 2012 HK\$'000
Current	26,311	3,069
1 to 3 months	4,253	—
4 to 6 months	—	—
Over 6 months	—	—
	<u>30,564</u>	<u>3,069</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. SHARE CAPITAL

	Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
At 31st March, 2012 and 30th September, 2012	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 31st March, 2012 and 30th September, 2012	<u>774,456,000</u>	<u>77,445</u>

15. BANK BORROWINGS

- (a) At 30th September, 2012, the Group's bank loans and obligations under finance leases are repayable as follows:

	30th September, 2012 HK\$'000	31st March, 2012 HK\$'000
Obligations under finance lease	1,193	864
Bank loans — secured	<u>53,770</u>	<u>49,592</u>
	54,963	50,456
Obligations under finance leases repayable		
Within one year	463	347
Between one and two years	449	362
Between two and five years	<u>281</u>	<u>155</u>
	1,193	864
Secured bank loans that contain a repayable on demand clause		
— repayable within one year	46,635	34,974
— repayable after one year (shown under current liabilities)	<u>7,135</u>	<u>14,618</u>
	54,963	50,456
Amount repayable within one year included under current liabilities	<u>(54,233)</u>	<u>(49,939)</u>
Amount repayable after one year	<u>730</u>	<u>517</u>

15. BANK BORROWINGS *(continued)*

- (b) The carrying amounts of the bank borrowings are denominated in the following currencies:

	30th September, 2012 <i>HK\$'000</i>	31st March, 2012 <i>HK\$'000</i>
Hong Kong Dollars	14,870	35,452
United States Dollars	40,093	15,004
	<u>54,963</u>	<u>50,456</u>

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

	30th September, 2012	31st March, 2012
Hong Kong Dollars	4.5%	4.2%
United States Dollars	4.8%	3.7%

16. POST EMPLOYMENT BENEFITS

	30th September, 2012 <i>HK\$'000</i>	31st March, 2012 <i>HK\$'000</i>
Provision for long service payment	<u>263</u>	<u>263</u>

17. BANKING FACILITIES

As at 30th September, 2012, the Group's banking facilities amounting to approximately HK\$63,306,000 (31st March, 2012: approximately HK\$69,508,000) 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\$92,743,000 (31st March, 2012: approximately HK\$92,989,000);
- (b) 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, 2012, the facilities utilised amounted to HK\$55.0 million (as at 31st March, 2012: HK\$50.5 million).

Except for the foregoing, as at 30th September, 2012, 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, 2012 and 31st March, 2012.

(b) Commitments under operating leases

- (i) At 30th September, 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2012 HK\$'000	31st March, 2012 HK\$'000
Not later than one year	821	1,500
Later than one year and not later than five years	—	71
	821	1,571

- (ii) At 30th September, 2012, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2012 HK\$'000	31st March, 2012 HK\$'000
Not later than one year	2,524	2,461
Later than one year and not later than five years	874	564
	3,398	3,025

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,	
	2012	2011
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	<u>3,425</u>	<u>3,425</u>

By Order of the Board
Wong Tek Sun, Takson
Chairman

Hong Kong, 29th October, 2012

As at the date of this report, the board of Directors of the Company comprises two executive directors, namely Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita; three independent non-executive directors, namely Mr. Chau Tsun Ming, Jimmy, Mr. Cunningham, James Patrick and Mr. Wong Kwok Tai; and one non-executive director, namely Mr. Wong Tak Yuen.