



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, 2011

* *For identification purpose only*

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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, 2011 (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\$64.9 million in the Review Period, representing a decrease of 48% compared to the corresponding previous period. Gross profit margin increased from 13.4% in the corresponding previous period to 22.7% in the Review Period. Net profit attributable to the equity holders of the Company was approximately HK\$1,183,000, representing an increase of approximately 363% from the corresponding previous period.

Business Overview

Export business

In the Review Period, the Original Equipment Manufacturer (“OEM”) business became less appealing due to competition for orders, increase in costs and lower margins in general. Proactively, the Group strived to grow its Original Design Manufacturer (“ODM”) business by providing its customers with more value added services including product design, fabric development and procurement, and products that require special production process and excellent workmanship. The move was well received by customers and ODM business volume surpassed OEM business in the Review Period. Total turnover in the Review Period decreased by 48.6% to HK\$63.5 million compared with the corresponding previous period. On the other hand, gross profit margin increased from approximately 12.4% in the corresponding previous period to approximately 20.9% in the Review Period. The improvement was due to the growth of ODM business which carried higher margin and tight control on raw material procurement and sub-contracting costs. The Group’s selling and administration expenses decreased as a result of stringent control on such costs.

Property investment

The Group continued to lease its investment properties in Hong Kong and China and recorded rental income of HK\$1.45 million compared to HK\$1.46 million in the corresponding previous period. A workshop unit in Hong Kong previously leased out was occupied by the Group after its lease expired in May 2011. As at the end of the Review Period, all investment properties were fully let out.

Prospects

With the economic uncertainty in the major export markets, 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 2012 fall winter collection was presented to customers with encouraging feedback. The Group is optimistic that the order book for 2012 will show marked increase. 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\$4.1 million for the Review Period (2010: outflow HK\$2.3 million).

As at 30th September, 2011, the Group's net borrowings comprised bank loans and obligations under finance leases, the aggregate amount of which was approximately HK\$56.4 million (as at 31st March, 2011: HK\$ 51.9 million). Among the total outstanding amounts of bank loans and obligations under finance leases as at 30th September, 2011, 73% (as at 31st March, 2011: 65%) are repayable within one year, 6% (as at 31st March, 2011: 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 0.45 as at 30th September, 2011 compared to 0.37 as at 31st March, 2011. The Group's gearing ratio as at 30th September, 2011 was 0.54 (as at 31st March, 2011: 0.52) which is calculated based on the Group's total liabilities of HK\$ 64.9 million (as at 31st March, 2011: HK\$59.7 million) and the Group's total assets of HK\$120.6 million (as at 31st March, 2011: HK\$114.2 million). As at 30th September, 2011, the Group's total cash and bank balances amounted to HK\$ 22.0 million compared to HK\$14.1 million as at 31st March, 2011.

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, 2011, 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\$90 million (as at 31st March, 2011: HK\$90.3 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, 2011, the facilities utilised amounted to HK\$56.4 million (as at 31st March, 2011: HK\$53.9 million).

In November 2008, a subsidiary of the Company initiated a legal action in the People's Court of JiaXing City to claim a sub-contractor based in the PRC for breach of contract and liquidated damages of approximately HK\$3.2 million. The sub-contractor filed a counter-claim for sub-contracting charges plus expenses paid on behalf of the Company in the sum of approximately HK\$1.9 million. A trial took place in April 2009 in the said court.

A judgement was handed down by the Intermediate People's Court of JiaXing City in April 2010 in which the subsidiary was required to pay the sub-contractor a lump sum of US\$200,000 and RMB13,489 to settle the case. The subsidiary appealed to the Zhejiang Provincial High Court of Appeal in May 2010. In May 2011, the subsidiary settled the case with the sub-contractor by the lump sum payment of US\$128,000 to the sub-contractor. Payment was effected on 30th May, 2011 and the amount was fully provided for in the year ended 31st March, 2011.

Except for the foregoing, as at 30th September, 2011, the Group had no other significant contingent liabilities or pending litigation.

EMPLOYEES

As at 30th September, 2011, the Group had a total of 34 employees, as compared to 40 employees as at 31st March, 2011. Staff costs including directors' remuneration were approximately HK\$7.2 million and HK\$8 million for the Review Period and the six months ended 30th September, 2010 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.

EMPLOYEES (continued)

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, 2011, 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			
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.

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

Long positions *(continued)*

Note: (continued)

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.

Save as disclosed above, as at 30th September, 2011, 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, 2011, 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, 2011, 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
Ms. Pang Shu Yuk, Adeline Rita	2010 Lot 1	7,266,000	—	—	—	7,266,000
		<u>14,532,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,532,000</u>

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	01/01/11 to 31/12/12	0.325	0.182

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)*

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.

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, 2011

		Unaudited	
		Six months ended	
		30th September,	
		2011	2010
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	4	64,919	124,954
Cost of sales		(50,153)	(108,155)
Gross profit		14,766	16,799
Other revenue		158	48
Selling, distribution and marketing expenses		(3,160)	(5,178)
Administrative expenses		(9,850)	(10,584)
Operating profit	5	1,914	1,085
Finance costs	6	(731)	(759)
Profit before taxation		1,183	326
Income tax expense	8	—	—
Profit for the period		1,183	326
<p>There was no other comprehensive income or loss during the period.</p>			
Profit for the period attributable to:			
Equity holders of the Company		1,183	326
Total comprehensive income attributable to:			
Equity holders of the Company		1,183	326
Profit per share attributable to the equity holders of the Company during the period			
— basic (HK cents)	9	0.15 cents	0.04 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September, 2011

		Unaudited 30th September, 2011 <i>HK\$'000</i>	Audited 31st March, 2011 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	8,549	7,520
Leasehold land	11	17,683	9,914
Investment properties	11	66,928	76,292
		<u>93,160</u>	<u>93,726</u>
Current assets			
Inventories		682	904
Trade receivables	12	27	350
Bills receivable		1,422	—
Deposits, prepayments and other receivables		3,332	5,082
Cash at bank and in hand		22,005	14,125
		<u>27,468</u>	<u>20,461</u>
Total assets		<u>120,628</u>	<u>114,187</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	77,445	77,445
Reserves		(21,779)	(22,962)
Total equity		<u>55,666</u>	<u>54,483</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	693	864
Long-term liabilities	16	263	263
Deferred tax liabilities		2,940	2,940
		<u>3,896</u>	<u>4,067</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30th September, 2011

		Unaudited 30th September, 2011 <i>HK\$'000</i>	Audited 31st March, 2011 <i>HK\$'000</i>
	<i>Notes</i>		
Current liabilities			
Trade payables	<i>13</i>	3,611	1,603
Other payables and accrued charges		1,706	2,916
Bank borrowings	<i>15</i>	55,749	51,118
		61,066	55,637
Total liabilities		64,962	59,704
Total equity and liabilities		120,628	114,187
Net current liabilities		(33,598)	(35,176)
Total assets less current liabilities		59,562	58,550

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, 2011

(Unaudited)

	Share-based								Total	Minority interest	Total
	Share capital	Share premium	Revaluation reserve	Share option reserve	Share-based compensation reserve	Consolidation reserve	Translation reserve	Accumulated losses			
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Balance at 1st April, 2010	72,671	57,035	9,276	2,880	1,511	2,214	(988)	(106,742)	37,857	(4)	37,853
Total comprehensive income for the period	—	—	—	—	—	—	—	326	326	—	326
Exercise of share option	70	5	—	—	—	—	—	—	75	—	75
Balance at 30th September, 2010	72,741	57,040	9,276	2,880	1,511	2,214	(988)	(106,416)	38,258	(4)	38,254
Balance at 1st April, 2011	77,445	66,786	9,276	2,880	2,652	2,214	(988)	(105,782)	54,483	—	54,483
Total comprehensive income for the period	—	—	—	—	—	—	—	1,183	1,183	—	1,183
Balance at 30th September, 2011	77,445	66,786	9,276	2,880	2,652	2,214	(988)	(104,599)	55,666	—	55,666

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, 2011

	Unaudited	
	Six months ended	
	30th September,	
	2011	2010
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	4,062	(2,336)
Net cash outflow from investing activities	(66)	(109)
Net cash inflow from financing activities	3,884	7,236
Net increase in cash and cash equivalents	7,880	4,791
Cash and cash equivalents at beginning of period	14,125	6,440
Cash and cash equivalents at end of period	22,005	11,231
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	22,005	11,231

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, Hunghom, Kowloon, Hong Kong.

These condensed consolidated interim financial information has been approved for issue by the Board of Directors on 21st November, 2011.

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, 2011.

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 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) — Int 14 (Amendments)	Prepayments of Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

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.

HKFRS 1 (Amendments)	Severe hyperinflation and fixed dates for first-time adopters ¹
HKFRS 9 (Revised)	Financial Instruments ³
HKFRS 10	Consolidated financial statements ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ³
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ³

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 January 2013

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, 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>
Taxation charge			<u>—</u>
Profit after taxation			<u><u>1,183</u></u>

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

By business segments: (continued)

	Six months ended 30th September, 2010 <i>HK\$'000</i>		
	Export business	Property investment	Total
Turnover	<u>123,492</u>	<u>1,462</u>	<u>124,954</u>
Segment operating profit/(loss)	<u>5,059</u>	<u>(3,080)</u>	1,979
Unallocated corporate expenses			<u>(894)</u>
Operating profit			1,085
Finance costs	<u>(653)</u>	<u>(106)</u>	<u>(759)</u>
Profit before taxation			326
Taxation charge			<u>—</u>
Profit after taxation			<u>326</u>

By geographical segments:

	Turnover Six months ended 30th September, 2011 2010 <i>HK\$'000</i> <i>HK\$'000</i>	
United States of America	44,755	86,696
Europe	—	27,954
Canada	14,668	8,320
Others	5,496	1,984
	<u>64,919</u>	<u>124,954</u>

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Export business		Property investment		Total	
	Six months ended 30th September, 2011		Six months ended 30th September, 2010		Six months ended 30th September, 2011	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting						
Interest income	155	—	—	—	155	—
Rental income	—	—	1,454	1,462	1,454	1,462
Charging						
Cost of inventories sold	50,153	108,155	—	—	50,153	108,155
Amortisation of leasehold land	—	—	229	137	229	137
Depreciation Owned property, plant and equipment	107	95	163	147	270	242
Leased property, plant and equipment	133	175	—	—	133	175
Operating lease rentals in respect of land and buildings	773	712	—	—	773	712
Staff costs, including directors' emoluments (Note 7)	3,175	3,972	4,078	4,079	7,253	8,051

6. FINANCE COSTS

	Export business		Property investment		Total	
	Six months ended 30th September, 2011		Six months ended 30th September, 2010		Six months ended 30th September, 2011	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans	604	470	94	106	698	576
Interest element of finance lease obligations	26	39	—	—	26	39
Other interest expense	7	144	—	—	7	144
	<u>637</u>	<u>653</u>	<u>94</u>	<u>106</u>	<u>731</u>	<u>759</u>

7. STAFF COSTS

	Export business		Property investment		Total	
	Six months ended 30th September, 2011		Six months ended 30th September, 2010		Six months ended 30th September, 2011	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	3,053	3,820	4,045	4,046	7,098	7,866
Severance payments	—	—	—	—	—	—
Retirement benefit costs	122	152	33	33	155	185
	<u>3,175</u>	<u>3,972</u>	<u>4,078</u>	<u>4,079</u>	<u>7,253</u>	<u>8,051</u>

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong during the period (2010: 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.

	2011	2010
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>1,183</u>	<u>326</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>774,456</u>	<u>727,264</u>
Basic profit per share (<i>HK cents per share</i>)	<u>0.15</u>	<u>0.04</u>

No diluted profit per share is presented for the six months ended 30th September, 2011 and 2010 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, 2011 (2010: 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, 2010	60,088	8,171	10,187	78,446
Additions	—	109	—	109
Amortisation/depreciation	—	(417)	(137)	(554)
Closing net book amount as at 30th September, 2010	<u>60,088</u>	<u>7,863</u>	<u>10,050</u>	<u>78,001</u>
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	<u>66,928</u>	<u>8,549</u>	<u>17,683</u>	<u>93,160</u>

12. TRADE RECEIVABLES

At 30th September, 2011, the ageing analysis of trade receivables is as follows:

	30th September, 2011 <i>HK\$'000</i>	31st March, 2011 <i>HK\$'000</i>
Current	—	323
1 to 3 months	—	—
Over 3 months	<u>27</u>	<u>27</u>
	<u>27</u>	<u>350</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, 2011 is fully recoverable and believes that no impairment allowance is necessary.

13. TRADE PAYABLES

At 30th September, 2011, the ageing analysis of trade payables is as follows:

	30th September, 2011 <i>HK\$'000</i>	31st March, 2011 <i>HK\$'000</i>
Current	3,499	383
1 to 3 months	78	199
4 to 6 months	—	—
Over 6 months	<u>34</u>	<u>1,021</u>
	<u>3,611</u>	<u>1,603</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, 2011 and 30th September, 2011	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 31st March, 2011 and 30th September, 2011	<u>774,456,000</u>	<u>77,445</u>

15. BANK BORROWINGS

(a) At 30th September, 2011, the Group's bank loans and obligations under finance leases are repayable as follows:

	30th September, 2011 HK\$'000	31st March, 2011 HK\$'000
Obligations under finance lease	1,084	1,323
Bank loans — secured	<u>55,358</u>	<u>50,659</u>
	<u>56,442</u>	<u>51,982</u>
Obligations under finance leases repayable		
Within one year	391	459
Between one and two years	355	347
Between two and five years	<u>338</u>	<u>517</u>
	1,084	1,323
Secured bank loans that contain a repayable on demand clause		
— repayable within one year	45,279	33,149
— repayable after one year (shown under current liabilities)	<u>10,079</u>	<u>17,510</u>
	<u>56,442</u>	<u>51,982</u>
Amount repayable within one year included under current liabilities	<u>(55,749)</u>	<u>(51,118)</u>
Amount repayable after one year	<u>693</u>	<u>864</u>

15. BANK BORROWINGS *(continued)*

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

	30th September, 2011 <i>HK\$'000</i>	31st March, 2011 <i>HK\$'000</i>
Hong Kong Dollars	16,671	33,821
United States Dollars	39,771	18,161
	<u>56,442</u>	<u>51,982</u>

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

	30th September, 2011	31st March, 2011
Hong Kong Dollars	3.9%	3.1%
United States Dollars	2.3%	2.5%

16. LONG-TERM LIABILITIES

	30th September, 2011 <i>HK\$'000</i>	31st March, 2011 <i>HK\$'000</i>
Non-current		
Post employment benefits	263	263
Total long-term liabilities	<u>263</u>	<u>263</u>

17. BANKING FACILITIES

As at 30th September, 2011, the Group's banking facilities amounting to approximately HK\$78,916,000 (31st March, 2011: approximately HK\$76,667,000) 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\$89,996,000 (31st March, 2011: approximately HK\$90,296,000);
- (b) corporate guarantees from the Company and certain of its subsidiaries.

18. CONTINGENT LIABILITIES

- (a) The Company has executed corporate guarantees with respect to banking facilities made available to its subsidiaries. As at 30th September, 2011, the facilities utilised amounted to HK\$56.4 million (as at 31st March, 2011: HK\$53.9 million).
- (b) In November 2008, a subsidiary of the Company initiated a legal action in the People's Court of JiaXing City to claim a sub-contractor based in the PRC for breach of contract and liquidated damages of approximately HK\$3.2 million. The sub-contractor filed a counter-claim for sub-contracting charges plus expenses paid on behalf of the Company in the sum of approximately HK\$1.9 million. A trial took place in April 2009 in the said court.

A judgement was handed down by the Intermediate People's Court of JiaXing City in April 2010 in which the subsidiary was required to pay the sub-contractor a lump sum of US\$200,000 and RMB13,489 to settle the case. The subsidiary appealed to the Zhejiang Provincial High Court of Appeal in May 2010. In May 2011, the subsidiary settled the case with the sub-contractor by the lump sum payment of US\$128,000 to the sub-contractor. Payment was effected on 30th May, 2011 and the amount was fully provided for in the year ended 31st March, 2011.

Except for the foregoing, as at 30 September 2011, 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, 2011 and 31st March, 2011.

(b) Commitments under operating leases

- (i) At 30th September, 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2011 HK\$'000	31st March, 2011 HK\$'000
Not later than one year	1,550	85
Later than one year and not later than five years	821	—
	2,371	85

19. COMMITMENTS *(continued)*

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

- (ii) At 30th September, 2011, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2011	31st March, 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	1,902	2,916
Later than one year and not later than five years	415	1,008
	<u>2,317</u>	<u>3,924</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, 2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
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, 21st November, 2011

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.