



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, 2007

* 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, 2007 (the “Review Period”), together with the comparatives.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

During the Review Period, the Group has recorded a turnover of approximately HK\$95.7 million, representing an increase of 5% as compared to approximately HK\$91.1 million during the corresponding period last year. The gross profit margin was 15%, compared to 26% during the corresponding period last year. Net loss attributable to the equity holders of the Company was approximately HK\$16.6 million, compared to a loss of approximately HK\$11.7 million during the corresponding period last year.

Business Overview

Export Business

The Group has been focusing on its business strategy in the Export Business. It has successfully solicited some new large customers, some orders were completed for shipment during the Review Period. For the Export Business, the turnover for the Review Period was approximately HK\$70.7 million (2006: approximately HK\$43.9 million) and the gross profit margin was approximately 11% (2006: 23%). The decrease in the gross profit margin as compared with that of the same period last year was mainly due to the diversification of product varieties that had lower gross profit margins.

Licensee Business

During the Review Period, the turnover of the Licensee Business recorded was approximately HK\$25 million as compared to approximately HK\$47.2 million during the corresponding period last year. This represents a decrease of 47% due to the termination of the HEAD® business effective on 31st March, 2007 that approximately of HK\$18.2 million was reflected in the turnover during the corresponding period last year. The gross profit margin was approximately 25% for the Licensee Business as compared to 29% for the same period last year. The decrease in the gross profit margin for DIADORA Business was mainly due to offering of competitive product promotion campaigns and stock clearance exercise.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Prospects

Export Business

In line with our existing business strategy for the Export Business, the Group has been expanding its customer base and diversifying the product varieties beyond outerwear so that a more balanced product mix will be achieved in the forthcoming years. Although the gross profit margin might continue under pressures, the Group is confident to achieve a higher overall turnover in the Export Business in the forthcoming years with the expanded network and our effort to continue the expansion of the customer base. The Group is well prepared to build on our solid foundation for the years to come and believes that the additional customer base will enable the Group to achieve economies of scale by fully utilizing the existing resources.

Licensee Business

The Group will reposition its business strategy of the Licensee Business for the DIADORA products for the coming year. To improve productivity and efficiency, the Group will review the cost structure of the Licensee Business by streamlining certain business functions and reduce the capital investments on retail outlets.

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 outflow used in operations amounted to approximately HK\$21.3 million during the Review Period (2006: HK\$8.8 million).

As at 30th September, 2007, the Group's net borrowings comprised bank loans, obligations under finance leases and loans from a director who is a shareholder of the Company, the aggregate amount of which was approximately HK\$82.3 million (as at 31st March, 2007: HK\$ 65.3 million). Among the total outstanding amounts of bank loans, obligations under finance leases and loans from a director as at 30th September, 2007, 51% (as at 31st March, 2007: 63%) are repayable within one year, 1% (as at 31st March, 2007: 1%) 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 and director 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 0.82 as at 30th September, 2007 compared to 0.77 as at 31st March, 2007. The Group's gearing ratio as at 30th September, 2007 was 0.96 (as at 31st March, 2007: 0.84) which is calculated based on the Group's total liabilities of HK\$140.6 million (as at 31st March, 2007 : HK\$112.1 million) and the Group's total assets of HK\$146.9 million (as at 31st March, 2007: HK\$133.9 million). As at 30th September, 2007, the Group's total cash and bank balances amounted to HK\$9.4 million compared to HK\$19.3 million (included the pledged time deposit) as at 31st March, 2007.

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

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 maintained a balanced match of Renminbi financing in those projects in the People's Republic of China (the "PRC") where cash flows were denominated in that currency to mitigate currency risk. The Group did not use any financial instrument to hedge against foreign currency risk.

CHARGE OF ASSETS

As at 30th September, 2007, 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\$46.5 million (as at 31st March, 2007: HK\$46.7 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, 2007, the facilities utilized amounted to HK\$43.5 million (as at 31st March, 2007: HK\$40.5 million).

In February 2007, the Company has initiated a legal action against the landlord of the Directors' quarter for damages and return of deposit as a result of wrongful repudiation of the tenancy agreement, which is quantified at HK\$604,000 plus general damages and additional rent, rates and management fee to be assessed. The landlord commenced a separate legal action to counter-claim against the Company, which the claim amount has been reduced to HK\$495,000 on 21st December, 2007, being the outstanding and unpaid rent for the remainder of the term of the tenancy agreement, plus losses, damages, repair costs and re-instatement expenses to be assessed.

As the legal proceedings are still ongoing and the outcome is uncertain, the Directors are of the opinion that the amount of liabilities (if any) cannot be ascertained at this stage and accordingly, no provision for such liability had been made as at 30th September, 2007.

Save as disclosed above, as at 30th September, 2007, the Group had no other significant contingent liabilities or pending litigation.

EMPLOYEES

As at 30th September, 2007, the Group had a total of 142 employees, as compared to 144 employees as at 31st March, 2007. Staff costs including directors' remuneration were approximately HK\$14 million and HK\$14 million for the Review Period and the six months ended 30th September, 2006 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 the individual employees.

The Company operates a share option scheme (the "Scheme") whereby the board of Directors may, at their absolute discretion, grant options to the employees and the 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, 2007, 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				
	Personal interests	Family interests	Corporate interests	Total interests	Percentage of holding
Mr. Wong Tek Sun, Takson	4,621,600	10,800,000	285,120,000	300,541,600	58.1%
			(Note)		
Ms. Pang Shu Yuk, Adeline Rita	10,800,000	4,621,600	285,120,000	300,541,600	58.1%
			(Note)		

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, 2007, 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, 2007, 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
Wangkin Investments Inc. <i>(Note)</i>	Interest of a controlled corporation	285,120,000	55.1%
Takson International Holdings Limited <i>(Note)</i>	Beneficial owner	285,120,000	55.1%

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, 2007, 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.

SHARE OPTION SCHEME

Prior to 25th August, 2006, the Company operated a share option scheme whereby the Board may grant options to the Directors and employees of the Company and any of its subsidiaries to subscribe for shares of the Company (the “Old Share Option Scheme”). A total of 36,000,000 share options had been granted under the Old Share Option Scheme and all 36,000,000 share options were exercised and no share option was outstanding or lapsed for the Old Share Option Scheme.

During the annual general meeting of the Company held on 25th August, 2006, the Old Share Option Scheme was terminated and a new share option scheme (the “New Share Option Scheme”) was adopted, whereby the Board may grant share options to any eligible persons. Eligible persons of the New Share Option Scheme include any full-time or part-time employees of the Company or any member of the Group, including any Directors, advisors or consultants, suppliers or customers of the Group.

The New Share Option Scheme became effective on 4th October, 2006. The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other operative share option schemes of the Group may not in aggregate exceed 51,740,000, being 10% of the shares in issue of the Company as at 25th August, 2006, the date on which the New Share Option Scheme was adopted. It would be granted at nominal consideration of HK\$1.00 for each lot of share options granted under the New Share Option Scheme.

The exercise price of the share options granted under the New Share Option Scheme (the “New Share Options”) will be the highest of (i) the nominal value of the shares, (ii) the closing price of the shares on the Stock Exchange on the date of offer of the New Share Options and (iii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the New Share Options.

Details of the movements of the New Share Options, which was granted on 28th December, 2006 at an exercise price of HK\$0.413 per share, under the New Share Option Scheme during the Review Period are as follows:

	Number of New Share Options			Exercise period
	Outstanding at 1.4.2007	Lapsed during the period	Outstanding at 30.9.2007	
Executive Directors				
Wong Tek Sun, Takson	2,000,000	–	2,000,000	28/12/2007-27/12/2009
	2,000,000	–	2,000,000	28/12/2008-27/12/2010
Pang Shu Yuk, Adeline Rita	2,000,000	–	2,000,000	28/12/2007-27/12/2009
	2,000,000	–	2,000,000	28/12/2008-27/12/2010
Other employees				
In aggregate	10,770,000	(890,000)	9,880,000	28/12/2007-27/12/2009
	4,500,000	–	4,500,000	28/12/2008-27/12/2010
	<u>23,270,000</u>	<u>(890,000)</u>	<u>22,380,000</u>	

SHARE OPTION SCHEME *(continued)*

The vesting period of the New Share Options is from the date of grant until the commencement of the exercise period. The New Share Options would be fully exercisable from the commencement of the exercise period.

The fair value of the New Share Options granted on 28th December, 2006 was HK\$3,541,000, based on the Black-Scholes-Merton option pricing model. The significant inputs into the model are as follows:

Market price at the date of grant	HK\$0.39
Risk-free interest rate	3.527% to 3.598%
Expected life (in years)	2 to 3
Expected volatility	61.17% to 71.07%
Expected dividend per share	–

The expected volatility was based on the historical volatility of the share prices of the Company over a period that is equal to the expected life before the date of grant. The Black-Scholes-Merton option pricing model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The fair value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Apart from the aforesaid, at no time during the Review Period was the Company or any of its subsidiary a party to any arrangement to enable the Directors or the chief executives 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 did not redeem any of its shares during the Review Period. Neither the Company nor any of its subsidiaries 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 disclosed below. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that its business activities are regulated in a proper and prudent manner.

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

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of the chairman and the 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 had complied with the Model Code during the Review Period.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive directors, Mr. Lee Kwok Cheung and Mr. Chau Tsun Ming, Jimmy, and a non-executive director, Mr. Wong Tak Yuen.

The written terms of reference which describe the authorities 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 INCOME STATEMENT

		Unaudited	
		Six months ended	
		30th September,	
		2007	2006
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	95,735	91,096
Cost of sales		(81,290)	(67,280)
		<hr/>	<hr/>
Gross profit		14,445	23,816
Other revenues		566	1,377
Selling, distribution and marketing expenses		(11,801)	(14,203)
Administrative expenses		(16,935)	(20,594)
		<hr/>	<hr/>
Operating loss	4,5	(13,725)	(9,604)
Finance costs	6	(2,840)	(2,499)
		<hr/>	<hr/>
Loss before taxation		(16,565)	(12,103)
Taxation credit	8	–	400
		<hr/>	<hr/>
Loss after taxation		<u>(16,565)</u>	<u>(11,703)</u>
Attributable to:			
Equity holders of the Company		<u>(16,565)</u>	<u>(11,703)</u>
Basic loss per share for loss attributable to the equity holders of the Company during the period			
	10	<u>(3.20 cents)</u>	<u>(2.26 cents)</u>

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

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September, 2007 <i>HK\$'000</i>	Audited 31st March, 2007 <i>HK\$'000</i>
Non-current assets			
Intangible assets	11	14,603	17,341
Property, plant and equipment	11	22,315	22,482
Leasehold land and land use rights	11	13,490	13,652
Investment properties	11	22,253	22,253
		72,661	75,728
Current assets			
Inventories		9,194	14,693
Trade receivables	12	48,906	18,864
Deposits, prepayments and other receivables		6,708	5,322
Pledged bank deposit		–	10,521
Cash at bank and in hand		9,395	8,741
		74,203	58,141
Total assets		146,864	133,869
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	51,740	51,740
Reserves		(45,463)	(29,949)
Total equity		6,277	21,791
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	10,872	10,785
Long-term liabilities	16	8,801	11,517
Deferred tax liabilities		898	898
Loans from a director	21(b)	29,400	13,600
		49,971	36,800
Current liabilities			
Trade payables	13	29,484	14,581
Other payables and accrued charges		13,000	14,286
Taxation payable		1,000	1,000
Bank borrowings	15	42,029	40,957
Current portion of long-term liabilities	16	5,103	4,454
		90,616	75,278
Total liabilities		140,587	112,078
Total equity and liabilities		146,864	133,869
Net current liabilities		(16,413)	(17,137)
Total assets less current liabilities		56,248	58,591

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	Share-based							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	compensation reserve HK\$'000	Consolidation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	
Balance at 1st April, 2006	51,740	41,392	330	-	2,214	(80)	(41,028)	54,568
Exchange difference arising on translation of the financial statements of overseas subsidiaries	-	-	-	-	-	(7)	-	(7)
Loss for the period	-	-	-	-	-	-	(11,703)	(11,703)
Balance at 30th September, 2006	<u>51,740</u>	<u>41,392</u>	<u>330</u>	<u>-</u>	<u>2,214</u>	<u>(87)</u>	<u>(52,731)</u>	<u>42,858</u>
Balance at 1st April, 2007	51,740	41,392	3,018	715	2,214	(440)	(76,848)	21,791
Share-based compensation	-	-	-	1,330	-	-	-	1,330
Exchange difference arising on translation of the financial statements of overseas subsidiaries	-	-	-	-	-	(279)	-	(279)
Transfer from reserve	-	-	(4)	-	-	-	4	-
Loss for the period	-	-	-	-	-	-	(16,565)	(16,565)
Balance at 30th September, 2007	<u>51,740</u>	<u>41,392</u>	<u>3,014</u>	<u>2,045</u>	<u>2,214</u>	<u>(719)</u>	<u>(93,409)</u>	<u>6,277</u>

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30th September,	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Net cash outflow from operating activities	(21,316)	(8,835)
Net cash (outflow)/inflow from investing activities	(561)	860
Net cash inflow from financing activities	22,531	9,378
Net increase in cash and cash equivalents	654	1,403
Cash and cash equivalents at 1st April,	8,741	7,457
Cash and cash equivalents at 30th September,	<u>9,395</u>	<u>8,860</u>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	<u>9,395</u>	<u>8,860</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.

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

These condensed consolidated interim financial information were approved for issue by the Board of Directors on 29th December, 2007.

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 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, 2007 except for the following:

During the period, the Group adopted the following new standards, amendments to standards and interpretations of HKFRS, which are effective for the six months ended 30th September, 2007 but the adoption does not have any significant impact on the Group’s financial information:

- HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective for accounting periods commencing on or after 1st January, 2007). The adoption of the standard and amendment will be shown on the annual report for the year ending 31st March, 2008. Mainly the impact is to make additional disclosure on sensitivity analysis to market risk and the capital disclosure as required by the amendment to HKAS 1;
- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for accounting periods commencing on or after 1st May, 2006);
- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for accounting periods commencing on or after 1st June, 2006);

3. ACCOUNTING POLICIES *(continued)*

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for accounting periods commencing on or after 1st November, 2006); and
- HK(IFRIC)-Int 11, HKFRS 2 – Group and Treasury Share Transaction (effective for accounting periods commencing on or after 1st March, 2007).

The following new standards and interpretations of HKFRS have been issued but are not effective for the six months ended 30th September, 2007 and have not been early adopted but are not expected to have any significant impact on the Group's financial information:

- HKFRS 8, Operating Segments (effective for accounting periods commencing on or after 1st January, 2009). The Group will apply HKFRS 8 for the year ending 31st March, 2010, but it is not expected to have any significant impact on the Group's consolidated financial statements other than presentational changes and additional disclosures in respect of segment information;
- HK(IFRIC)-Int 12, Service Concession Arrangements (effective for accounting periods commencing on or after 1st January, 2008);
- HK(IFRIC)-Int 13, Customer Loyalty Programmes (effective for accounting periods commencing on or after 1st July, 2008);
- HK(IFRIC)-Int 14, HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods commencing on or after 1st January, 2008); and
- HKAS 23 (Revised) – Borrowing costs (effective for accounting periods commencing on or after 1st January, 2009).

4. TURNOVER AND SEGMENT INFORMATION

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

By business segments:

	Six months ended 30th September, 2007 <i>HK\$'000</i>		
	Export business	Licensee business	Total
Turnover	<u>70,719</u>	<u>25,016</u>	<u>95,735</u>
Segment operating profit/(loss)	<u>3,239</u>	<u>(7,125)</u>	(3,886)
Interest income			115
Unallocated income			379
Unallocated corporate expenses			<u>(10,333)</u>
Operating loss			(13,725)
Finance costs			<u>(2,840)</u>
Loss before and after taxation			<u><u>(16,565)</u></u>

	Six months ended 30th September, 2006 <i>HK\$'000</i>		
	Export business	Licensee business	Total
Turnover	<u>43,880</u>	<u>47,216</u>	<u>91,096</u>
Segment operating profit/(loss)	<u>783</u>	<u>(56)</u>	727
Interest income			285
Unallocated income			135
Unallocated corporate expenses			<u>(10,751)</u>
Operating loss			(9,604)
Finance costs			<u>(2,499)</u>
Loss before taxation			(12,103)
Taxation credit			400
Loss after taxation			<u><u>(11,703)</u></u>

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

By geographical segments:

	Turnover	
	Six months ended 30th September,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
United States of America	56,280	34,167
Europe	3,664	6,355
Canada	9,570	3,095
Hong Kong	735	4,512
People's Republic of China (the "PRC")	24,282	42,704
Others	1,204	263
	<u>95,735</u>	<u>91,096</u>

5. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	Six months ended 30th September,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Profit on disposal of investment properties	–	800
Interest income	115	285
Rental income	379	135
	<u> </u>	<u> </u>
Charging		
Amortization of intangible assets	2,738	2,917
Amortization of leasehold land and land use rights	162	294
Depreciation		
Owned property, plant and equipment	1,225	1,243
Leased property, plant and equipment	35	81
Loss on disposal of property, plant and equipment	168	65
Staff costs, including directors' emoluments	14,011	13,993
	<u>14,011</u>	<u>13,993</u>

6. FINANCE COSTS

	Six months ended 30th September,	
	2007 HK\$'000	2006 HK\$'000
Interest on bank loans	1,767	1,659
Interest element of finance lease obligations	8	17
Other interest expense	1,065	823
	<u>2,840</u>	<u>2,499</u>

7. STAFF COSTS

	Six months ended 30th September,	
	2007 HK\$'000	2006 HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	11,937	12,665
Severance payments	162	634
Share-based compensation	1,330	–
Retirement benefit costs	582	694
	<u>14,011</u>	<u>13,993</u>

8. TAXATION

The amount of taxation credited to the condensed consolidated income statement comprised:

	Six months ended 30th September,	
	2007 HK\$'000	2006 HK\$'000
Deferred taxation relating to the origination and reversal of temporary differences	–	400

No provision for Hong Kong profits tax and overseas taxation has been made as the Group has no assessable profits arising in Hong Kong and overseas for the period.

9. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2007 (2006: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of HK\$16,565,000 (2006: HK\$11,703,000) for the period and on the weighted average number of 517,400,000 (2006: 517,400,000) ordinary shares in issue during the period.

No diluted loss per share is presented for the six months ended 30th September, 2007 and 2006 as the outstanding share options are anti-dilutive.

11. CAPITAL EXPENDITURE

	Intangible assets <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Property, plant & equipment <i>HK\$'000</i>	Leasehold land & land use rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Opening net book amount as at 1st April, 2006	21,951	5,743	26,749	25,394	79,837
Additions	–	–	1,549	–	1,549
Disposals	–	(5,743)	(65)	–	(5,808)
Amortization/depreciation	(2,917)	–	(1,324)	(294)	(4,535)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing net book amount as at 30th September, 2006	<u>19,034</u>	<u>–</u>	<u>26,909</u>	<u>25,100</u>	<u>71,043</u>
Opening net book amount as at 1st April, 2007	17,341	22,253	22,482	13,652	75,728
Exchange differences	–	–	(14)	–	(14)
Additions	–	–	1,586	–	1,586
Disposals	–	–	(479)	–	(479)
Amortization/depreciation	(2,738)	–	(1,260)	(162)	(4,160)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing net book amount as at 30th September, 2007	<u>14,603</u>	<u>22,253</u>	<u>22,315</u>	<u>13,490</u>	<u>72,661</u>

12. TRADE RECEIVABLES

At 30th September, 2007, the ageing analysis of trade receivables is as follows:

	30th September, 2007 HK\$'000	31st March, 2007 HK\$'000
Current	34,879	13,286
1 to 3 months	7,136	5,311
Over 3 months	7,326	691
	49,341	19,288
Less: Provision for bad and doubtful debts	(435)	(424)
	48,906	18,864

Trade receivables are denominated in the following currencies:

	30th September, 2007 HK\$'000	31st March, 2007 HK\$'000
US dollars	39,136	4,614
Renminbi	9,624	13,534
Hong Kong dollars	146	716
	48,906	18,864

- (a) Majority of the Group's export sales are generally on open account of 45 days and letter of credit at sight. The Group's licensee sales are with credit terms of between 30 to 90 days.
- (b) As at 30th September, 2007, trade receivables were factored to banks in the amount of HK\$17,575,000 (31st March, 2007: HK\$3,497,000).

13. TRADE PAYABLES

At 30th September, 2007, the ageing analysis of trade payables is as follows:

	30th September, 2007	31st March, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	22,434	4,948
1 to 3 months	5,946	7,616
4 to 6 months	810	1,164
Over 6 months	294	853
	<u>29,484</u>	<u>14,581</u>

Trade payables are denominated in the following currencies:

	30th September, 2007	31st March, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
US dollars	27,427	6,597
Renminbi	2,057	7,271
Hong Kong dollars and others	–	713
	<u>29,484</u>	<u>14,581</u>

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, 2007 and 30th September, 2007	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31st March, 2007 and 30th September, 2007	<u>517,400,000</u>	<u>51,740</u>

15. BANK BORROWINGS

At 30th September, 2007, the Group's bank loans and obligations under finance leases are repayable as follows:

	30th September, 2007 HK\$'000	31st March, 2007 HK\$'000
Non-current		
Long term bank loans – secured	10,411	10,785
Obligations under finance lease	461	–
	<u>10,872</u>	<u>10,785</u>
Current		
Short-term bank loans – secured	41,191	40,220
Current portion of long term bank loans – secured	719	674
Obligations under finance lease	119	63
	<u>42,029</u>	<u>40,957</u>
Total bank borrowings	<u>52,901</u>	<u>51,742</u>

(a) At 30th September, 2007, the Group's bank borrowings are repayable as follows:

	Bank loans		Obligations under finance leases	
	30th September, 2007 HK\$'000	31st March, 2007 HK\$'000	30th September, 2007 HK\$'000	31st March, 2007 HK\$'000
Within one year	41,910	40,894	119	63
In the second year	761	723	127	–
In the third to fifth year inclusive	9,650	10,062	334	–
Wholly repayable within 5 years	<u>52,321</u>	<u>51,679</u>	<u>580</u>	<u>63</u>

15. BANK BORROWINGS (continued)

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

	30th September, 2007	31st March, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Dollars	22,862	5,063
Renminbi	14,710	30,942
United States Dollars	15,329	15,737
	<u>52,901</u>	<u>51,742</u>

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

	30th September, 2007	31st March, 2007
Hong Kong Dollars	7.5%	7.5%
Renminbi	7.5%	5.9%
United States Dollars	8.0%	7.5%

16. LONG-TERM LIABILITIES

	30th September, 2007	31st March, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current		
License fee payable	8,538	11,254
Post employment benefits	263	263
	<u>8,801</u>	<u>11,517</u>
Current		
Current portion of license fee payable	5,103	4,454
	<u>13,904</u>	<u>15,971</u>

The effective interest rate for the license fee payable at the balance sheet date was 7% (31st March, 2007: 7%). The license fee payable is denominated in United States Dollars.

17. BANKING FACILITIES

As at 30th September, 2007, the Group's banking facilities amounting to approximately HK\$64,500,000 (31st March, 2007: approximately HK\$73,718,000) 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\$46,450,000 (31st March, 2007: approximately HK\$46,739,000);
- (b) bank deposit of HK\$Nil (31st March, 2007: approximately HK\$10,521,000); and
- (c) corporate guarantees from the Company and certain of its subsidiaries.

18. CONTINGENT LIABILITIES

- (a) The Company has executed guarantees with respect to certain banking facilities of its subsidiaries. Such facilities utilized as at 30th September, 2007 amounted to HK\$43,500,000 (31st March, 2007: HK\$40,473,000).
- (b) In February 2007, the Company initiated a legal action against the landlord of the Directors' quarters for damages and return of deposit as a result of wrongful repudiation of the tenancy agreement, which is quantified at HK\$604,000 plus general damages and additional rent, rates and management fee to be assessed. The landlord commenced a separate legal action to counter-claim against the Company, which the claim amount has been reduced to HK\$495,000 on 21st December, 2007, being the outstanding and unpaid rent for the remainder of the term of the tenancy agreement, plus losses, damages, repair costs and reinstatement expenses to be assessed.

As the legal proceedings are still ongoing and the outcome is uncertain, the Directors are of the opinion that the amount of liabilities (if any) cannot be reliably measured at this stage and, accordingly, no provision for such liabilities has been made in the financial statements.

19. COMMITMENTS

(a) Capital commitments

As at 30th September, 2007, the Group had the following capital commitments which are contracted but not provided for:

	30th September, 2007 HK\$'000	31st March, 2007 HK\$'000
Purchase of property, plant and equipment	—	320

The Company had no material capital commitments as at 30th September, and 31st March, 2007.

19. COMMITMENTS *(continued)*

(b) Commitments under operating leases

- (i) At 30th September, 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2007	31st March, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	1,169	1,712
Later than one year and not later than five years	—	363
	<u>1,169</u>	<u>2,075</u>

- (ii) At 30th September, 2007, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2007	31st March, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	1,246	967
Later than one year and not later than five years	797	1,419
	<u>2,043</u>	<u>2,386</u>

20. POST BALANCE SHEET EVENT

The properties including leasehold land and buildings in the PRC, which were previously occupied by the Group, have been leased for earning rental income since 8th December, 2007. In respect of change of the usage of the properties, the properties would be transferred from leasehold land and buildings to investment properties at carrying amount. It is expected that a fair value adjustment of the investment properties in the PRC should be approximately HK\$7 million, which will be recognized in the income statement for the year ending 31st March, 2008.

21. 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.

Takson International Holdings Limited, a company incorporated in the British Virgin Islands, owns 55.1% in the Company's shares. The directors regard Wangkin Investments Inc., a company incorporated in the British Virgin Islands, as being the ultimate holding company.

(a) Key management compensation

	Six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	4,143	4,111

(b) Loans from a director

Loans from a director on the consolidated balance sheet represent unsecured loans which become interest bearing at Hong Kong Prime lending rate less 0.5% from 6th July, 2007. The loans were advanced by Mr. Wong Tek Sun, Takson, a director and a shareholder of the Company. Mr. Wong Tek Sun, Takson has confirmed that he will not demand for repayment of the loans before 30th September, 2008. As at 30th September, 2007, total interest payable to the director was approximately of HK\$560,000.

Subsequent to the balance sheet date, Mr. Wong Tek Sun, Takson further advanced to the Group unsecured loans of HK\$2 million and confirmed that he will not demand for repayment of the loans before 30th September, 2008. The loans bear interest at Hong Kong Prime lending rate less 0.5%.

22. ULTIMATE HOLDING COMPANY

The directors regard Wangkin Investments Inc., a company incorporated in the British Virgin Islands, as being the ultimate holding company.

By Order of the Board
Wong Tek Sun, Takson
Chairman

Hong Kong, 29th December, 2007

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. Lee Kwok Cheung, Mr. Chau Tsun Ming, Jimmy and Mr. Cunningham, James Patrick; and one non-executive director, namely Mr. Wong Tak Yuen.