



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, 2008

* *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, 2008 (“Review Period”), together with the comparatives.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

As stated in the 2008 annual report, the Group has discontinued its Diadora licensee business in the year ended 31st March 2008. The consideration for the termination of the said license and the proceeds from the disposal of the related inventories and accounts receivable were received in the Review Period. Following the discontinuance of the licensee business, the Group focused on its core export business. The Group recorded a turnover of HK\$51.9 million from its export business in the Review Period, representing a decrease of 26.6% compared to the corresponding previous period. Gross profit margin achieved from export business was 13.4%, compared to 11.4% in the corresponding previous period. Turnover achieved from licensee business in the Review Period was approximately HK\$6.8 million and represented the proceeds from disposal of remaining stock and accounts receivable. Net profit attributable to the equity holders of the Company was approximately HK\$12.3 million, compared to a loss of approximately HK\$16.5 million in the corresponding period last year.

Business Overview

Export Business

In the Review Period, the Group has adopted a more cautious approach to its export business, and orders were only received from customers with either proven means of payment or good credit history. As a result, the Group achieved sales of approximately HK\$51.9 million in the Review Period compared with approximately HK\$70.7 million in the corresponding previous period. On the other hand, gross profit margin was improved from approximately 11.4% in 2007 to approximately 13.4% in the Review Period due to the acceptance of orders with higher margins. The Group has taken active measures to control its overheads and administrative expenses were reduced by approximately 21% in the Review Period. Part of the savings in the administrative expenses was invested in product development and other marketing efforts to pave the way for re-gaining market share in outerwear business.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Overview *(continued)*

Licensee Business

During the Review Period, the turnover of the Licensee Business recorded was reduced to approximately HK\$6.8 million as compared to approximately HK\$25 million in the corresponding period last year, representing a decrease of 73%. Turnover represented the proceeds from disposal of remaining stock and accounts receivable. Other income of HK\$23.4 million mainly represented consideration received from the brand owner of Diadora for the termination of the license agreement.

Prospects

Export Business

Foreseeing the recession in the export markets and the desire of consumers to look for good value merchandise, the Group has focused on the development of 2009 apparel collection geared to the mass market. Response from chain store customers is positive and the Group expects to generate substantial growth from this market segment in the next financial year. Although the selling price is under pressure, the Group expects the gross margin to remain stable thanks to the recent increase in VAT refund and the general reduction in raw material costs. The Group will continue to develop its customer base and new product ranges to boost its business base while exercising active risk management measures. The board is confident that it will steer the Group through the difficult times ahead.

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 generated from operations amounted to approximately HK\$18.1 million for the Review Period (2007: outflow of HK\$21.3 million).

In the Review Period, the Company issued and allotted an aggregate of 200,000,000 ordinary shares to Mr. Wong Tek Sun, Takson (“Mr. Wong”), a director and substantial shareholder of the Company, at the price of HK\$0.18 per share for the capitalisation of loans of HK\$36 million advanced by Mr. Wong to the Company after obtaining the independent shareholders’ approval in a special general meeting held on 27th May, 2008. The transaction strengthened the capital base of the Company and also reduced its finance charge.

As at 30th September, 2008, the Group’s net borrowings comprised bank loans, obligations under finance leases and loans from Mr. Wong, the aggregate amount of which was approximately HK\$29.6 million (as at 31st March, 2008: HK\$77.7 million). Among the total outstanding amounts of bank loans, obligations under finance leases and loans from Mr. Wong as at 30th September, 2008, 53% (as at 31st March, 2008: 37%) are repayable within one year, 17% (as at 31st March, 2008: 51%) 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 Mr. Wong are subject to floating interest rates while obligations under finance leases are subject to fixed interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources *(continued)*

The ratio of current assets to current liabilities of the Group was 0.56 as at 30th September, 2008 compared to 0.49 as at 31st March, 2008. The Group's gearing ratio as at 30th September, 2008 was 0.66 (as at 31st March, 2008: 1.18) which is calculated based on the Group's total liabilities of HK\$54.1 million (as at 31st March, 2008: HK\$104.8 million) and the Group's total assets of HK\$82.1 million (as at 31st March, 2008: HK\$88.3 million). As at 30th September, 2008, the Group's total cash and bank balances amounted to HK\$6.6 million compared to HK\$2.1 million as at 31st March, 2008.

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 the People's Republic of China (the "PRC") projects 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, 2008, 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\$58.7 million (as at 31st March, 2008: HK\$58.9 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, 2008, the facilities utilised amounted to HK\$31.5 million (as at 31st March, 2008: HK\$40.8 million).

During the Review Period, the legal action against the landlord of the Directors' quarter for damages and return of deposit was settled after the landlord agreed to settle our claim with the payment of HK\$870,000.

Except for the foregoing, as at 30th September, 2008, the Group had no other significant contingent liabilities or pending litigation.

Employees

As at 30th September, 2008, the Group had a total of 39 employees, as compared to 64 employees as at 31st March, 2008. The reduction in headcount was a result of the discontinuance of the licensee business. Staff costs including directors' remuneration were approximately HK\$9.5 million and HK\$14 million for the Review Period and the six months ended 30th September, 2007 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Employees *(continued)*

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, 2008, 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	204,621,600	10,800,000	285,120,000	<i>(Note)</i>	500,541,600	69.8%
Ms. Pang Shu Yuk, Adeline Rita	10,800,000	204,621,600	285,120,000	<i>(Note)</i>	500,541,600	69.8%

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:

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 LGT Trustees 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.

Save as disclosed above, as at 30th September, 2008, 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.

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

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, 2008, 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	215,421,600	30%
Pang Shu Yuk, Adeline Rita	Personal and family interest	215,421,600	30%
Wangkin Investments Inc. (Note)	Interest of a controlled corporation	285,120,000	39.8%
Takson International Holdings Limited (Note)	Beneficial owner	285,120,000	39.8%

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, 2008, 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

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.

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)

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 (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,	2007 Lot 1	2,000,000	—	—	—	2,000,000
Takson	2007 Lot 2	2,000,000	—	—	—	2,000,000
	2008 Lot 1	1,170,000	—	—	—	1,170,000
Ms. Pang Shu Yuk,	2007 Lot 1	2,000,000	—	—	—	2,000,000
Adeline Rita	2007 Lot 2	2,000,000	—	—	—	2,000,000
	2008 Lot 1	1,170,000	—	—	—	1,170,000
		<u>10,340,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,340,000</u>
Employees	2007 Lot 1	4,160,000	—	—	(525,000)	3,635,000
Others	2008 Lot 2	<u>5,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,000,000</u>
		<u>19,500,000</u>	<u>—</u>	<u>—</u>	<u>(525,000)</u>	<u>18,975,000</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 <i>HK\$</i>	Fair value at grant date <i>HK\$</i>
2007 Lot 1	28/12/06	28/12/07 to 27/12/09	0.413	0.147
2007 Lot 2	28/12/06	28/12/08 to 27/12/10	0.413	0.161
2008 Lot 1	30/10/07	28/12/07 to 27/12/09	0.550	0.205
2008 Lot 2	09/12/07	12/02/08 to 31/12/08	0.550	0.098

The vesting period of the share options is from the date of grant until the commencement of the exercise period. The share options would be fully exercisable from the commencement of the exercise period.

The fair value of the share options granted during in year ended 31 March 2008 is HK\$0.132 (2007: HK\$0.152) each. Options were priced using the Black-Scholes-Merton Option Pricing Model. As it requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

The expected volatility is based on the historical volatility of the share prices of the Company over a period that is equal to the expected life before the grant date.

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 INCOME STATEMENT

		Unaudited Six months ended 30th September,	
		2008	2007
Notes		HK\$'000	HK\$'000
Continuing operations			
	4	51,859	70,719
		<u>(44,931)</u>	<u>(62,634)</u>
		6,928	8,085
		1,896	553
		<u>(3,997)</u>	<u>(2,605)</u>
		<u>(11,919)</u>	<u>(15,052)</u>
	4, 5	(7,092)	(9,019)
	6	<u>(1,089)</u>	<u>(1,956)</u>
		(8,181)	(10,975)
	8	<u>—</u>	<u>—</u>
		(8,181)	(10,975)
Discontinued operations			
	9	<u>20,517</u>	<u>(5,590)</u>
		<u>12,336</u>	<u>(16,565)</u>
Attributable to:			
		<u>12,336</u>	<u>(16,565)</u>
Profit/(loss) per share attributable to the equity holders of the Company during the period			
From continuing and discontinued operations			
	10	<u>1.91</u>	<u>(3.20)</u>
		<u>(1.26)</u>	<u>(2.12)</u>

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

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September, 2008 <i>HK\$'000</i>	Audited 31st March, 2008 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	12	7,474	8,683
Leasehold land and land use rights	12	10,595	10,732
Investment properties	12	43,720	43,720
		61,789	63,135
Current assets			
Licensing rights	12	—	12,002
Inventories		1,866	7,358
Trade receivables	13	9,393	914
Deposits, prepayments and other receivables		2,476	2,868
Cash at bank and in hand		6,580	2,066
		20,315	25,208
Total assets		82,104	88,343
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	71,740	51,740
Reserves		(43,780)	(68,171)
Total equity		27,960	(16,431)
LIABILITIES			
Non-current liabilities			
Bank borrowings	16	9,754	10,331
Long-term liabilities	17	263	263
Deferred tax liabilities		3,788	3,788
Loans from a director	21(b)	4,000	38,736
		17,805	53,118
Current liabilities			
Trade payables	14	6,535	1,306
Bills payable		3,193	—
Other payables and accrued charges		9,803	8,680
Taxation payable		1,000	1,000
Bank borrowings	16	15,808	28,668
Current portion of long-term liabilities	17	—	12,002
		36,339	51,656
Total liabilities		54,144	104,774
Total equity and liabilities		82,104	88,343
Net current liabilities		(16,024)	(26,448)
Total assets less current liabilities		45,765	36,687

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							Total HK\$'000
	Share-based					Translation reserve	Accumulated losses	
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	compensation reserve HK\$'000	Consolidation reserve HK\$'000			
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 oversea subsidiaries	—	—	—	—	—	(279)	—	(279)
Transfer from reserve	—	—	(4)	—	—	—	4	—
Loss for the period	—	—	—	—	—	—	(16,565)	(16,565)
Balance at 30th September, 2007	51,740	41,392	3,014	2,045	2,214	(719)	(93,409)	6,277
Balance at 1st April, 2008	51,740	41,392	9,276	2,573	2,214	(678)	(122,948)	(16,431)
Exchange difference arising on translation of the financial statements of overseas subsidiaries	—	—	—	—	—	(3,526)	—	(3,526)
Capitalisation issue	20,000	15,581	—	—	—	—	—	35,581
Profit for the period	—	—	—	—	—	—	12,336	12,336
Balance at 30th September, 2008	71,740	56,973	9,276	2,573	2,214	(4,204)	(110,612)	27,960

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,	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	18,089	(21,316)
Net cash outflow from investing activities	(343)	(561)
Net cash (outflow)/inflow from financing activities	(13,231)	22,531
Net increase in cash and cash equivalents	4,515	654
Cash and cash equivalents at 1st April,	2,065	8,741
Cash and cash equivalents at 30th September,	<u>6,580</u>	<u>9,395</u>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	<u>6,580</u>	<u>9,395</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 Room 513, 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

These condensed consolidated interim financial information has been approved for issue by the Board of Directors on 22nd December, 2008.

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 is consistent with those used in the annual accounts for the year ended 31st March, 2008 except for the following:

During the period, the Group adopted the following interpretations of HKFRS, which are effective for the six months ended 30th September, 2008 but the adoption does not have any significant impact on the Group’s financial information:

- HK(IFRIC)-Int 11, HKFRS 2 — Group and Treasury Share Transactions
- HK(IFRIC)-Int 12, Service Concession Arrangements
- HK(IFRIC)-Int 14, HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. ACCOUNTING POLICIES *(continued)*

The following new standards and interpretations of HKFRS have been issued but are not effective for the six months ended 30th September, 2008 and have not been early adopted but are not expected to have any significant impact on the Group's financial information:

- HKAS 1 (Revised), Presentation of Financial Statements (effective for accounting periods commencing on or after 1st January, 2009);
- HKAS 23 (Revised) — Borrowing costs (effective for accounting periods commencing on or after 1st January, 2009);
- HKAS 27 (Revised), Consolidated and Separate Financial Statements (effective for accounting periods commencing on or after 1st July, 2009);
- HKAS 32 & 1 (Amendments), Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods commencing on or after 1st January, 2009);
- HKFRS 2 (Amendment), Vesting Conditions and Cancellations (effective for accounting periods commencing on or after 1st January, 2009);
- HKFRS 3 (Revised), Business Combinations (effective for accounting periods commencing on or after 1st July, 2009);
- 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 13, Customer Loyalty Programmes (effective for accounting periods commencing on or after 1st July, 2008);
- HK(IFRIC)-Int 15, Agreements for the Construction of Real Estate (effective for accounting periods commencing on or after 1st January, 2009);
- HK(IFRIC)-Int 16, Hedges of a Net Investment in a Foreign Operation (effective for accounting periods commencing on or after 1st October, 2008); and
- HK(IFRIC)-Int 17, Distribution of Non-cash Assets to Owners (effective for accounting periods commencing on or after 1st July, 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, 2008 <i>HK\$'000</i>		
	Export business (Continuing operations)	Licensee business (Discontinued operations)	Total
Turnover	<u>51,859</u>	<u>6,798</u>	<u>58,657</u>
Segment operating profit	<u>593</u>	<u>20,940</u>	21,533
Interest income			4
Unallocated income			970
Unallocated corporate expenses			<u>(8,658)</u>
Operating profit			13,849
Finance costs	<u>(1,089)</u>	<u>(388)</u>	<u>(1,477)</u>
Profit before taxation			12,372
Taxation charge			<u>(36)</u>
Profit after taxation			<u>12,336</u>

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

	Six months ended 30th September, 2007 <i>HK\$'000</i>		
	Export business (Continuing operations)	Licensee business (Discontinued operations)	Total
Turnover	70,719	25,016	95,735
Segment operating profit/ (loss)	3,239	(7,125)	(3,886)
Interest income			115
Unallocated income			379
Unallocated corporate expenses			(10,333)
Operating loss			(13,725)
Finance costs	(1,956)	(884)	(2,840)
Loss before and after taxation			(16,565)

By geographical segments:

	Turnover Six months ended 30th September,	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
United States of America	42,510	56,280
Europe	8,590	3,664
Canada	436	9,570
Hong Kong	—	735
People's Republic of China (the "PRC")	6,798	24,282
Others	323	1,204
	58,657	95,735

5. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Total	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Crediting						
Interest income	3	103	1	12	4	115
Rental income	1,494	379	—	—	1,494	379
Proceeds from termination of license	—	—	23,400	—	23,400	—
Charging						
Cost of inventories sold	44,931	62,634	6,874	18,656	51,805	81,290
Amortisation of licensing rights	—	—	—	2,738	—	2,738
Amortisation of leasehold land use rights	121	162	—	—	121	162
Depreciation						
Owned property, plant and equipment	489	565	—	660	489	1,225
Leased property, plant and equipment	49	35	—	—	49	35
Net loss on disposal of property, plant and equipment	995	164	—	4	995	168
Operating lease rentals in respect of land and buildings	1,664	1,142	117	—	1,781	1,142
Staff costs, including directors' emoluments (<i>Note 7</i>)	8,116	9,936	1,404	4,075	9,520	14,011

6. FINANCE COSTS

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Total	
	2008	2007	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	673	1,389	388	378	1,061	1,767
Interest element of finance lease obligations	17	8	—	—	17	8
Other interest expense	399	559	—	506	399	1,065
	<u>1,089</u>	<u>1,956</u>	<u>388</u>	<u>884</u>	<u>1,477</u>	<u>2,840</u>

7. STAFF COSTS

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Total	
	2008	2007	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and other benefits (including directors' emoluments)	7,945	8,495	766	3,442	8,711	11,937
Severance payments	5	—	495	162	500	162
Share-based compensation	—	1,330	—	—	—	1,330
Retirement benefit costs	166	111	143	471	309	582
	<u>8,116</u>	<u>9,936</u>	<u>1,404</u>	<u>4,075</u>	<u>9,520</u>	<u>14,011</u>

8. TAXATION

The amount of taxation charged to the condensed consolidated income statement represents:

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Total	
	2008	2007	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax						
Current tax	—	—	—	—	—	—
Overseas taxation						
Current tax	—	—	36	—	36	—
Taxation charge	—	—	36	—	36	—

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong during the period (2007: HK\$NIL).
- (b) Overseas taxation represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

9. DISCONTINUED OPERATIONS

In late December 2007, the Group began negotiation with the DIADORA S.P.A., the owner and proprietor of the “Diadora” trademark for the early termination of the license with “Diadora”. An agreement was reached with the brand owner in early April 2008 for the early termination of the said license. For the purpose of preparing the Group’s financial statements, the Licensee Business was classified as discontinued in accordance with HKFRS 5.

The sales and results of the discontinued operations for the six months ended 30th September were as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Discontinued operations		
Turnover	6,798	25,016
Cost of sales	(6,874)	(18,656)
	<hr/>	<hr/>
Gross (loss)/profit	(76)	6,360
Other income	23,416	13
Net operating expenses	(2,399)	(11,079)
	<hr/>	<hr/>
Operating profit/(loss)	20,941	(4,706)
Finance costs	(388)	(884)
	<hr/>	<hr/>
Profit/(loss) before taxation	20,553	(5,590)
Income tax expense	(36)	—
	<hr/>	<hr/>
Profit/(loss) for the period from discontinued operations	20,517	(5,590)
	<hr/> <hr/>	<hr/> <hr/>

10. PROFIT/(LOSS) PER SHARE

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

	2008	2007
Profit/(loss) attributable to the equity holders of the Company from continuing and discontinued operations (<i>HK\$'000</i>)	<u><u>12,336</u></u>	<u><u>(16,565)</u></u>
(Loss) attributable to the equity holders of the Company from continuing operations (<i>HK\$'000</i>)	<u><u>(8,181)</u></u>	<u><u>(10,975)</u></u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u><u>647,455</u></u>	<u><u>517,400</u></u>
Basic profit/(loss) per share from continuing operations and discontinued operations (<i>HK cents per share</i>)	<u><u>1.91</u></u>	<u><u>(3.20)</u></u>
Basic (loss) per share from continuing operations (<i>HK cents per share</i>)	<u><u>(1.26)</u></u>	<u><u>(2.12)</u></u>

No diluted profit/(loss) per share is presented for the six months ended 30th September, 2008 and 2007 as the outstanding share options are anti-dilutive.

11. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2008 (2007: HK\$NIL).

12. CAPITAL EXPENDITURE

	Licensing rights <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, 2007	17,341	22,253	22,482	13,652	75,728
Exchange differences	—	—	(14)	—	(14)
Additions	—	—	1,586	—	1,586
Disposals	—	—	(479)	—	(479)
Amortisation/depreciation	<u>(2,738)</u>	<u>—</u>	<u>(1,260)</u>	<u>(162)</u>	<u>(4,160)</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>
Opening net book amount as at 1st April, 2008	12,002	43,720	8,683	10,732	75,137
Exchange differences	—	—	17	—	17
Additions	—	—	476	—	476
Disposals	(12,002)	—	(1,179)	—	(13,181)
Amortisation/depreciation	<u>—</u>	<u>—</u>	<u>(523)</u>	<u>(137)</u>	<u>(660)</u>
Closing net book amount as at 30th September, 2008	<u>—</u>	<u>43,720</u>	<u>7,474</u>	<u>10,595</u>	<u>61,789</u>

13. TRADE RECEIVABLES

At 30th September, 2008, the ageing analysis of trade receivables is as follows:

	30th September, 2008 <i>HK\$'000</i>	31st March, 2008 <i>HK\$'000</i>
Current	3,121	343
1 to 3 months	6,272	—
Over 3 months	—	571
	<hr/> 9,393 <hr/>	<hr/> 914 <hr/>

All trade receivables are denominated in US dollars.

- (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. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customers' request. The Group considers that the trade receivables as at 30th September, 2008 are fully recoverable and believes that no impairment allowance is necessary.
- (b) As at 30th September, 2008, trade receivables were factored to banks in the amount of HK\$NIL (31st March, 2008: HK\$690,000).

14. TRADE PAYABLES

At 30th September, 2008, the ageing analysis of trade payables is as follows:

	30th September, 2008 <i>HK\$'000</i>	31st March, 2008 <i>HK\$'000</i>
Current	2,953	720
1 to 3 months	3,554	246
4 to 6 months	5	—
Over 6 months	23	340
	<u>6,535</u>	<u>1,306</u>

Trade payables are denominated in the following currencies:

	30th September, 2008 <i>HK\$'000</i>	31st March, 2008 <i>HK\$'000</i>
US dollars	6,317	290
Renminbi	22	339
Hong Kong dollars and others	196	677
	<u>6,535</u>	<u>1,306</u>

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

15. SHARE CAPITAL

	Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
At 31st March, 2008	1,000,000,000	100,000
Increase (<i>Note</i>)	2,000,000,000	200,000
	<u>3,000,000,000</u>	<u>300,000</u>
At 30th September, 2008	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 31st March, 2008	517,400,000	51,740
Shares issued pursuant to capitalisation issue	200,000,000	20,000
	<u>717,400,000</u>	<u>71,740</u>
At 30th September, 2008	<u>717,400,000</u>	<u>71,740</u>

Note:

By an ordinary resolution passed at the annual general meeting held on 25th August, 2008, the Company's authorised capital was increased to HK\$300,000,000 by the creation of additional 2,000,000,000 ordinary shares of HK\$0.1 each, which rank pari passu with the existing ordinary shares of the Company in all respects.

16. BANK BORROWINGS

At 30th September, 2008, the Group's bank loans and obligations under finance leases are repayable as follows:

	30th September, 2008 <i>HK\$'000</i>	31st March, 2008 <i>HK\$'000</i>
Non-current		
Long term bank loans — secured	9,420	9,932
Obligations under finance lease	334	399
	<u>9,754</u>	<u>10,331</u>
Current		
Short-term bank loans — secured	14,774	27,726
Current portion of long term bank loans — secured	907	819
Obligations under finance lease	127	123
	<u>15,808</u>	<u>28,668</u>
Total bank borrowings	<u>25,562</u>	<u>38,999</u>

16. BANK BORROWINGS *(continued)*

- (a) At 30th September, 2008, the Group's bank borrowings are repayable as follows:

	Bank loans		Obligations under finance leases	
	30th September, 2008 <i>HK\$'000</i>	31st March, 2008 <i>HK\$'000</i>	30th September, 2008 <i>HK\$'000</i>	31st March, 2008 <i>HK\$'000</i>
Within one year	15,681	28,545	127	123
In the second year	938	897	136	132
In the third to fifth year inclusive	8,482	9,035	198	267
Wholly repayable within 5 years	<u>25,101</u>	<u>38,477</u>	<u>461</u>	<u>522</u>

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

	30th September, 2008 <i>HK\$'000</i>	31st March, 2008 <i>HK\$'000</i>
Hong Kong Dollars	6,461	9,522
Renminbi	—	16,182
United States Dollars	19,101	13,295
	<u>25,562</u>	<u>38,999</u>

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

	30th September, 2008	31st March, 2008
Hong Kong Dollars	5.5%	7.5%
Renminbi	—	7.9%
United States Dollars	6.0%	7.0%

17. LONG-TERM LIABILITIES

	30th September, 2008 HK\$'000	31st March, 2008 HK\$'000
Non-current		
Post employment benefits	263	263
	-----	-----
Current		
Current portion of license fee payable	—	12,002
	-----	-----
Total long-term liabilities	263	12,265
	=====	=====

18. BANKING FACILITIES

As at 30th September, 2008, the Group's banking facilities amounting to approximately HK\$49,923,000 (31st March, 2008: approximately HK\$68,182,000) 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\$58,685,000 (31st March, 2008: approximately HK\$58,876,000);
- (b) corporate guarantees from the Company and certain of its subsidiaries.

19. CONTINGENT LIABILITIES

- (a) The Company has executed guarantees with respect to certain banking facilities of its subsidiaries. Such facilities utilised as at 30th September 2008 amounted to HK\$31,462,000 (31st March, 2008: HK\$40,786,000).
- (b) In February 2007, the Company initiated a legal action to claim 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 legal action was settled during the Review Period after the landlord agreed to settle the case with the payment of HK\$870,000 to the Company.

20. COMMITMENTS

(a) Capital commitments

As at 30th September, 2008, the Group had the following capital commitments, which are contracted but not provided for:

	30th September, 2008	31st March, 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of property, plant and equipment	—	79
	<u> </u>	<u> </u>

The Company had no material capital commitments as at 30th September, 2008 and 31st March, 2008.

(b) Commitments under operating leases

- (i) At 30th September, 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2008	31st March, 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	762	1,796
	<u> </u>	<u> </u>

- (ii) At 30th September, 2008, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2008	31st March, 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	3,032	2,860
Later than one year and not later than five years	1,807	2,439
	<u> </u>	<u> </u>
	<u>4,839</u>	<u>5,299</u>

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.

(a) Key management compensation

	Six months ended 30th September,	
	2008	2007
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	4,234	4,143

(b) Loans from a director

Loans from a director on the consolidated balance sheet represent unsecured loans advanced by Mr. Wong Tek Sun, Takson, a director and a shareholder of the Company. The loans bear interest at Hong Kong prime lending rate less 0.5% commencing from 6th July, 2007. Mr. Wong Tek Sun, Takson has confirmed that he will not demand for repayment of the loans before 30th September, 2009.

By Order of the Board
Wong Tek Sun, Takson
Chairman

Hong Kong, 22nd December, 2008

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.