



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, 2009

* *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, 2009 (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

As stated in the 2009 annual report, the Group has discontinued its Diadora licensee business in the year ended 31st March, 2009. Following the discontinuance of the licensee business, the Group focused on its core export business. The Group recorded a turnover of HK\$45.6 million from its export business in the Review Period, representing a decrease of 12% compared to the corresponding previous period. No turnover was achieved from licensee business in the Review Period as all the related stocks were disposed of in the previous financial year. Gross profit margin achieved from export business improved from 13.4% in the corresponding previous period to 18.7% in the Review Period. Net profit attributable to the equity holders of the Company was approximately HK\$254,000, representing a decrease of approximately 98% from the corresponding previous period. Net profit in the corresponding previous period included a net contribution from disposal of licensee business of HK\$20.5 million whereas no such exceptional item was recorded in the Review Period.

Business Overview

In the Review Period, the Group continued to exercise tight credit control on its export business, and orders were only received from customers with proven means of payment. Also, the Group’s deliveries to customers scattered over a longer period instead of concentrating on the first half year. As a result, the Group’s sales in the Review Period was HK\$45.6 million, representing a decline of 12% compared with the corresponding previous period. On the other hand, gross profit margin was improved from approximately 13.4% in the corresponding previous period to approximately 18.7% in the Review Period. The improvement was mainly derived from increased VAT refund by Chinese government. In addition, the strategy adopted by the Group to solicit year round delivery orders from customers resulted in the utilization of spare production capacity in low season, improvement in labour efficiencies and overall production costs. The Group continued to take active measures to control its overheads and administrative expenses were reduced by approximately 42% in the Review Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Prospects

Although the pace of economic recovery for export markets remained stumbled, there are signs that it is heading towards a positive direction. With some weak players going out of business, the Group received more fall winter season orders for delivery in October and November 2009. The Group will also launch new products for the spring summer season in the second half year. With an expansion of its customer base and the development of new product lines, the Group will strengthen its services to customers and its market competitiveness. The board is confident with 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 generated from operations amounted to approximately HK\$2.7 million for the Review Period (2008: HK\$18.1 million).

In the Review Period, the Company allotted 5,000,000 shares at par to a grantee of share options, the amount raised of HK\$500,000 was used as general working capital of the Group.

As at 30th September, 2009, 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\$47.6 million (as at 31st March, 2009: HK\$35.4 million). Among the total outstanding amounts of bank loans, obligations under finance leases and loans from Mr. Wong as at 30th September, 2009, 57% (as at 31st March, 2009: 30%) are repayable within one year, 28% (as at 31st March, 2009: 45%) 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.

The ratio of current assets to current liabilities of the Group was 0.57 as at 30th September, 2009 compared to 0.35 as at 31st March, 2009. The Group's gearing ratio as at 30th September, 2009 was 0.68 (as at 31st March, 2009: 0.63) which is calculated based on the Group's total liabilities of HK\$61 million (as at 31st March, 2009: HK\$47.9 million) and the Group's total assets of HK\$89.5 million (as at 31st March, 2009: HK\$75.8 million). As at 30th September, 2009, the Group's total cash and bank balances amounted to HK\$17.1 million compared to HK\$2.7 million as at 31st March, 2009.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Charge of Assets

As at 30th September, 2009, 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 HK66.1 million (as at 31st March, 2009: HK\$66.3 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, 2009, the facilities utilised amounted to HK\$35.3 million (as at 31st March, 2009: HK\$19.2 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.

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

Except for the foregoing, as at 30th September, 2009, the Group had no other significant contingent liabilities or pending litigation.

Employees

As at 30th September, 2009, the Group had a total of 31 employees, as compared to 28 employees as at 31st March, 2009. Staff costs including directors' remuneration were approximately HK\$4.7 million and HK\$9.5 million for the Review Period and the six months ended 30th September, 2008 respectively.

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

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

OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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

As at 30th September, 2009, 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	(Note)	500,541,600	69.3%
Ms. Pang Shu Yuk, Adeline Rita	10,800,000	204,621,600	285,120,000	(Note)	500,541,600	69.3%

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.

Save as disclosed above, as at 30th September, 2009, 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, 2009, 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	29.8%
Pang Shu Yuk, Adeline Rita	Personal and family interest	215,421,600	29.8%
Wangkin Investments Inc. <i>(Note)</i>	Interest of a controlled corporation	285,120,000	39.5%
Takson International Holdings Limited <i>(Note)</i>	Beneficial owner	285,120,000	39.5%

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, 2009, 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
	2009 Lot 1	2,004,000	—	—	—	2,004,000
	2009 Lot 2	5,174,000	—	—	—	5,174,000
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
	2009 Lot 1	2,004,000	—	—	—	2,004,000
	2009 Lot 2	5,174,000	—	—	—	5,174,000
		<u>24,696,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>24,696,000</u>
Employees	2007 Lot 1	2,755,000	—	—	(620,000)	2,135,000
	2009 Lot 4	—	900,000	—	(100,000)	800,000
	2009 Lot 5	—	900,000	—	(100,000)	800,000
Others	2009 Lot 3	—	5,000,000	(5,000,000)	—	—
		<u>27,451,000</u>	<u>6,800,000</u>	<u>(5,000,000)</u>	<u>(820,000)</u>	<u>28,431,000</u>

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

Share Option Scheme *(continued)*

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$	Fair value at grant date HK\$
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
2009 Lot 1	14/01/09	15/01/09 to 27/12/09	0.115	0.029
2009 Lot 2	14/01/09	28/12/09 to 27/12/10	0.115	0.041
2009 Lot 3	07/04/09	08/04/09 to 30/06/10	0.10	0.052
2009 Lot 4	27/04/09	28/04/09 to 27/04/12	0.107	0.052
2009 Lot 5	27/04/09	28/04/10 to 27/04/12	0.107	0.052

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, 2009

		Unaudited Six months ended 30th September,	
	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
Continuing operations			
Turnover	4	45,600	51,859
Cost of sales		(37,060)	(44,931)
Gross profit		8,540	6,928
Other revenues		1,896	1,896
Selling, distribution and marketing expenses		(2,348)	(3,997)
Administrative expenses		(6,929)	(11,919)
Operating profit/(loss)	5	1,159	(7,092)
Finance costs	6	(905)	(1,089)
Profit/(loss) before taxation		254	(8,181)
Income tax expense	8	—	—
Profit/(loss) for the period from continuing operations		254	(8,181)
Discontinued operations			
Profit for the period from discontinued operations	9	—	20,517
		254	12,336
Other comprehensive loss			
Exchange differences on translating foreign operations		(189)	(3,526)
Total comprehensive income for the period		65	8,810
Profit for the period attributable to:			
Equity holders of the Company		254	12,336
Total comprehensive income attributable to:			
Equity holders of the Company		65	8,810
Profit/(loss) per share attributable to the equity holders of the Company during the period			
From continuing and discontinued operations			
— basic (HK cents)	10	0.04 cents	1.91 cents
From continuing operations			
— basic (HK cents)	10	0.04 cents	(1.26 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30th September, 2009

	<i>Notes</i>	Unaudited 30th September, 2009 HK\$'000	Audited 31st March, 2009 HK\$'000
Non-current assets			
Property, plant and equipment	<i>12</i>	6,985	7,140
Leasehold land and land use rights	<i>12</i>	10,323	10,459
Investment properties	<i>12</i>	51,544	51,544
		68,852	69,143
Current assets			
Inventories		502	348
Trade receivables	<i>13</i>	1,611	136
Deposits, prepayments and other receivables		1,437	3,524
Cash at bank and in hand		17,105	2,695
		20,655	6,703
Total assets		89,507	75,846
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	<i>15</i>	72,240	71,740
Reserves		(43,760)	(43,825)
		28,480	27,915
Minority interests		(3)	(3)
Total equity		28,477	27,912
LIABILITIES			
Non-current liabilities			
Bank borrowings	<i>16</i>	8,642	9,207
Long-term liabilities	<i>17</i>	263	263
Deferred tax liabilities		3,788	3,788
Loans from a director		12,004	15,766
		24,697	29,024
Current liabilities			
Trade payables	<i>14</i>	3,750	3,219
Other payables and accrued charges		4,599	4,272
Taxation payable		1,000	1,000
Bank borrowings	<i>16</i>	26,984	10,419
		36,333	18,910
Total liabilities		61,030	47,934
Total equity and liabilities		89,507	75,846
Net current liabilities		(15,678)	(12,207)
Total assets less current liabilities		53,174	56,936

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, 2009

(Unaudited)

	Share-based									
	Share capital	Share premium	Revaluation reserve	compensation reserve	Consolidation reserve	Translation reserve	Accumulated losses	Total	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st April, 2008	51,740	41,392	9,276	2,573	2,214	(678)	(122,948)	(16,431)	—	(16,431)
Profit for the period	—	—	—	—	—	—	12,336	12,336	—	12,336
Exchange difference arising on translation of the financial statements of overseas subsidiaries	—	—	—	—	—	(3,526)	—	(3,526)	—	(3,526)
Total comprehensive income for the period	—	—	—	—	—	(3,526)	12,336	8,810	—	8,810
Subtotal	51,740	41,392	9,276	2,573	2,214	(4,204)	(110,612)	(7,621)	—	(7,621)
Capitalisation issue	20,000	15,581	—	—	—	—	—	35,581	—	35,581
Balance at 30th September, 2008	71,740	56,973	9,276	2,573	2,214	(4,204)	(110,612)	27,960	—	27,960
Balance at 1st April, 2009	71,740	56,973	9,276	2,328	2,214	(4,092)	(110,524)	27,915	(3)	27,912
Profit for the period	—	—	—	—	—	—	254	254	—	254
Exchange difference arising on translation of the financial statements of overseas subsidiaries	—	—	—	—	—	(189)	—	(189)	—	(189)
Total comprehensive income for the period	—	—	—	—	—	(189)	254	65	—	65
Subtotal	71,740	56,973	9,276	2,328	2,214	(4,281)	(110,270)	27,980	(3)	27,977
Exercise of share option	500	—	—	—	—	—	—	500	—	500
Balance at 30th September, 2009	72,240	56,973	9,276	2,328	2,214	(4,281)	(110,270)	28,480	(3)	28,477

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, 2009

	Unaudited Six months ended 30th September,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	2,731	18,089
Net cash outflow from investing activities	(163)	(343)
Net cash inflow/(outflow) from financing activities	11,842	(13,231)
Net increase in cash and cash equivalents	14,410	4,515
Cash and cash equivalents at 1st April,	2,695	2,065
Cash and cash equivalents at 30th September,	<u>17,105</u>	<u>6,580</u>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	<u>17,105</u>	<u>6,580</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, Hungghom, Kowloon, Hong Kong.

These condensed consolidated interim financial information has been approved for issue by the Board of Directors on 10th December, 2009.

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, 2009.

In the current interim period, the Group has applied, for the first time, the following amendments and interpretations (“New HKFRSs”) issued by the HKICPA.

HKFRS 8 Operating Segments

HKFRS 8 requires segment information to be disclosed on the same basis as that used for internal reporting purposes. Under this requirement, for the period ended 30th September, 2009, the Group has only one business segment significant enough for disclosure.

3. ACCOUNTING POLICIES *(continued)*

HKAS 1 (revised 2007) Presentation of Financial Statements

The revised HKAS 1 introduces a number of changes to the presentation of the accounts, including a requirement for those exchange differences in translating foreign operations to be presented in a statement of comprehensive income.

The following amendments and interpretations issued by HKICPA which are or have become effective and did not have any material impact on the accounting policies of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments
HK(IFRIC) — INT 13	Customer Loyalty Programmes
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation

The following new standards and interpretations of HKFRS have been issued but are not effective for the financial year beginning 1st April, 2009 and have not been early adopted but are not expected to have any significant impact on the Group's financial information:

HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedge Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS 9	Financial Instruments
HK(IFRIC) — INT 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) — INT 18	Transfers of Assets from Customers

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, 2009 HK\$'000		
	Export business (Continuing operations)	Licensee business (Discontinued operations)	Total
Turnover	45,600	0	45,600
Segment operating profit	4,278	0	4,278
Unallocated income			994
Unallocated corporate expenses			(4,113)
Operating profit			1,159
Finance costs	(905)	0	(905)
Profit before taxation			254
Taxation charge			—
Profit after taxation			254

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

	Six months ended 30th September, 2008 <i>HK\$'000</i>		
	Export business (Continuing operations)	Licensee business (Discontinued operations)	Total
Turnover	51,859	6,798	58,657
Segment operating profit	593	20,941	21,534
Interest income			4
Unallocated income			970
Unallocated corporate expenses			(8,659)
Operating profit			13,849
Finance costs	(1,089)	(388)	(1,477)
Profit before taxation			12,372
Taxation charge			(36)
Profit after taxation			12,336

By geographical segments:

	Turnover Six months ended 30th September,	
	2009 <i>HK\$000</i>	2008 <i>HK\$000</i>
United States of America	36,643	42,510
Europe	4,728	8,590
Canada	4,229	436
People's Republic of China (the "PRC")	—	6,798
Others	—	323
	45,600	58,657

5. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after crediting and charging the following:

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Total	
	Six months ended 30th September, 2009		Six months ended 30th September, 2008		Six months ended 30th September, 2009	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting						
Interest income	—	3	—	1	—	4
Rental income	1,307	1,494	—	—	1,307	1,494
Proceeds from termination of license	—	—	—	23,400	—	23,400
Charging						
Cost of inventories sold	37,060	44,931	—	6,874	37,060	51,805
Amortisation of leasehold land use rights	136	121	—	—	136	121
Depreciation						
Owned property, plant and equipment	281	489	—	—	281	489
Leased property, plant and equipment	37	49	—	—	37	49
Net loss on disposal of property, plant and equipment	—	995	—	—	—	995
Operating lease rentals in respect of land and buildings	643	1,664	—	117	643	1,781
Staff costs, including directors' emoluments (Note 7)	4,650	8,116	—	1,404	4,650	9,520

6. FINANCE COSTS

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Total	
	Six months ended 30th September, 2009		Six months ended 30th September, 2009		Six months ended 30th September, 2009	
	2009	2008	2009	2008	2009	2008
	<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	562	673	—	388	562	1,061
Interest element of finance lease obligations	13	17	—	—	13	17
Other interest expense	330	399	—	—	330	399
	<u>905</u>	<u>1,089</u>	<u>—</u>	<u>388</u>	<u>905</u>	<u>1,477</u>

7. STAFF COSTS

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Total	
	Six months ended 30th September, 2009		Six months ended 30th September, 2009		Six months ended 30th September, 2009	
	2009	2008	2009	2008	2009	2008
	<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)	4,539	7,945	—	766	4,539	8,711
Severance payments	42	5	—	495	42	500
Retirement benefit costs	69	166	—	143	69	309
	<u>4,650</u>	<u>8,116</u>	<u>—</u>	<u>1,404</u>	<u>4,650</u>	<u>9,520</u>

8. INCOME TAX EXPENSE

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

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Total	
	Six months ended 30th September, 2009		Six months ended 30th September, 2008		Six months ended 30th September, 2009	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax						
Current tax	—	—	—	—	—	—
Overseas taxation						
Current tax	—	—	—	36	—	36
	<u>—</u>	<u>—</u>	<u>—</u>	<u>36</u>	<u>—</u>	<u>36</u>
Taxation charge	<u>—</u>	<u>—</u>	<u>—</u>	<u>36</u>	<u>—</u>	<u>36</u>

- (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 (2008: 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

An agreement was reached with the brand owner of “Diadora” in early April 2008 for the early termination of the license. For the purpose of preparing the Group’s financial information, 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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Discontinued operations		
Turnover	—	6,798
Cost of sales	—	(6,874)
	<hr/>	<hr/>
Gross loss	—	(76)
Other income	—	23,416
Net operating expenses	—	(2,399)
	<hr/>	<hr/>
Operating profit	—	20,941
Finance costs	—	(388)
	<hr/>	<hr/>
Profit before taxation	—	20,553
Income tax expense	—	(36)
	<hr/>	<hr/>
Profit for the period from discontinued operations	—	20,517
	<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.

	2009	2008
Profit attributable to the equity holders of the Company from continuing and discontinued operations (<i>HK\$'000</i>)	<u>254</u>	<u>12,336</u>
Profit/(loss) attributable to the equity holders of the Company from continuing operations (<i>HK\$'000</i>)	<u>254</u>	<u>(8,181)</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>720,323</u>	<u>647,455</u>
Basic profit per share from continuing operations and discontinued operations (<i>HK cents per share</i>)	<u>0.04</u>	<u>1.91</u>
Basic profit/(loss) per share from continuing operations (<i>HK cents per share</i>)	<u>0.04</u>	<u>(1.26)</u>

No diluted profit/(loss) per share is presented for the six months ended 30th September, 2009 and 2008 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, 2009 (2008: 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, 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	—	—	(523)	(137)	(660)
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>
Opening net book amount as at 1st April, 2009	—	51,544	7,140	10,459	69,143
Additions	—	—	163	—	163
Amortisation/depreciation	—	—	(318)	(136)	(454)
Closing net book amount as at 30th September, 2009	<u>—</u>	<u>51,544</u>	<u>6,985</u>	<u>10,323</u>	<u>68,852</u>

13. TRADE RECEIVABLES

At 30th September, 2009, the ageing analysis of trade receivables is as follows:

	30th September, 2009 <i>HK\$'000</i>	31st March, 2009 <i>HK\$'000</i>
Current	1,593	110
1 to 3 months	3	—
Over 3 months	15	26
	<hr/> 1,611 <hr/>	<hr/> 136 <hr/>

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, 2009 is fully recoverable and believes that no impairment allowance is necessary.

14. TRADE PAYABLES

At 30th September, 2009, the ageing analysis of trade payables is as follows:

	30th September, 2009 <i>HK\$'000</i>	31st March, 2009 <i>HK\$'000</i>
Current	1,671	—
1 to 3 months	1,387	8
4 to 6 months	—	—
Over 6 months	692	3,211
	<u>3,750</u>	<u>3,219</u>

Trade payables are denominated in the following currencies:

	30th September, 2009 <i>HK\$'000</i>	31st March, 2009 <i>HK\$'000</i>
US dollars	3,713	3,219
Hong Kong dollars and others	37	—
	<u>3,750</u>	<u>3,219</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, 2009 and 30th September, 2009	3,000,000,000	300,000
Issued and fully paid:		
At 31st March, 2009	717,400,000	71,740
Shares issued	5,000,000	500
At 30th September, 2009	722,400,000	72,240

16. BANK BORROWINGS

At 30th September, 2009, the Group's bank loans and obligations under finance leases are repayable as follows:

	30th September, 2009 HK\$'000	31st March, 2009 HK\$'000
Non-current		
Long term bank loans — secured	8,444	8,940
Obligations under finance lease	198	267
	<u>8,642</u>	<u>9,207</u>
Current		
Short-term bank loans — secured	25,861	9,313
Current portion of long term bank loans — secured	986	974
Obligations under finance lease	137	132
	<u>26,984</u>	<u>10,419</u>
Total bank borrowings	<u>35,626</u>	<u>19,626</u>

16. BANK BORROWINGS (continued)

- (a) At 30th September, 2009, the Group's bank borrowings are repayable as follows:

	Bank loans		Obligations under finance leases	
	30th September, 2009 <i>HK\$'000</i>	31st March, 2009 <i>HK\$'000</i>	30th September, 2009 <i>HK\$'000</i>	31st March, 2009 <i>HK\$'000</i>
Within one year	26,847	10,287	137	132
In the second year	1,009	128	147	141
In the third to fifth year inclusive	7,435	8,812	51	126
Wholly repayable within 5 years	<u>35,291</u>	<u>19,227</u>	<u>335</u>	<u>399</u>

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

	30th September, 2009 <i>HK\$'000</i>	31st March, 2009 <i>HK\$'000</i>
Hong Kong Dollars	7,330	—
United States Dollars	<u>28,296</u>	<u>19,626</u>
	<u>35,626</u>	<u>19,626</u>

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

	30th September, 2009	31st March, 2009
Hong Kong Dollars	4.79%	1.25%
United States Dollars	6.18%	3.94%

17. LONG-TERM LIABILITIES

	30th September, 2009 HK\$'000	31st March, 2009 HK\$'000
Non-current		
Post employment benefits	<u>263</u>	<u>263</u>
Total long-term liabilities	<u><u>263</u></u>	<u><u>263</u></u>

18. BANKING FACILITIES

As at 30th September, 2009, the Group's banking facilities amounting to approximately HK\$64,923,000 (31st March, 2009: approximately HK\$49,926,000) 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\$66,123,000 (31st March, 2009: approximately HK\$66,315,000);
- (b) corporate guarantees from the Company and certain of its subsidiaries.

19. CONTINGENT LIABILITIES

- (a) The Company has executed corporate guarantees with respect to banking facilities made available to its subsidiaries. As at 30th September, 2009, the facilities utilised amounted to HK\$35.3 million (as at 31st March, 2009: HK\$19.2 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.

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

Except for the foregoing, as at 30th September, 2009, the Group had no other significant contingent liabilities or pending litigation.

20. COMMITMENTS

(a) Capital commitments

The Group and the Company had no material capital commitments as at 30th September, 2009 and 31st March, 2009.

(b) Commitments under operating leases

- (i) At 30th September, 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2009	31st March, 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	1,230	—
Later than one year and not later than five years	655	—
	<u>1,885</u>	<u>—</u>

- (ii) At 30th September, 2009, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2009	31st March, 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	1,905	1,564
Later than one year and not later than five years	551	770
	<u>2,456</u>	<u>2,334</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,	
	2009	2008
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	2,489	4,234

(b) Loans from a director

Loans from a director on the condensed consolidated statement of financial position 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.

By Order of the Board
Wong Tek Sun, Takson
Chairman

Hong Kong, 10th December, 2009

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.