



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, 2010

* *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, 2010 (the “Review Period”), together with the comparatives. These condensed consolidated interim financial information have been reviewed by the Company’s audit committee, but have not been reviewed by the Company’s auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

The Group recorded a turnover of HK\$125 million in the Review Period, representing an increase of 166.4% compared to the corresponding previous period. Gross profit margin decreased from 21% in the corresponding previous period to 13.4% in the Review Period. Net profit attributable to the equity holders of the Company was approximately HK\$326,000, representing an increase of approximately 28% from the corresponding previous period.

Business Overview

Export business

In the Review Period, the Group’s strategy to focus its marketing efforts on key customers paid off with substantial increase in orders received. Turnover in the Review Period increased by 170.8% to HK\$123.5 million compared with the corresponding previous period. On the other hand, gross profit margin decreased from approximately 18.7% in the corresponding previous period to approximately 12.4% in the Review Period. The deterioration was due to strategy adopted by the Group to gain market share at lower margins in order to better utilize the capacity of its sub-contractors. The Group’s selling and administration expenses increased as a result of increase in marketing expenditure to solicit more orders and increase in headcounts for product development and order processing.

Property investment

The Group continued to lease its investment properties in Hong Kong and China and recorded rental income of HK\$1.5 million compared to HK\$1.3 million in the corresponding previous period. As at the end of the review period, all investment properties were fully let out.

Prospects

Although the pace of economic recovery for export markets remained stumbled, there are signs that consumer spending has stepped-up. The Group will continue to focus on export business and expand its customer base and diversify the product varieties beyond outerwear to achieve a more balanced product mix. The Group has expanded its product development and production team in response to signs of recovery in its major markets. The property investment business continues to provide a steady stream of income to the Group. The Board is optimistic of the future of the Group.

Liquidity and Financial Resources

The Group generally finances its operations with its own working capital, trade facilities and revolving bank loans provided by its principal bankers in Hong Kong. Total net cash outflow from operations amounted to approximately HK\$2.3 million for the Review Period (2009: inflow HK\$2.7 million).

In the Review Period, the Company allotted 700,000 shares at premium to grantees of share options, the amount raised of HK\$75,000 was used as general working capital of the Group.

As at 30th September, 2010, the Group's net borrowings comprised bank loans and obligations under finance leases, the aggregate amount of which was approximately HK\$52.6 million (as at 31st March, 2010: HK\$ 34.5 million). Among the total outstanding amounts of bank loans and obligations under finance leases as at 30th September, 2010, 73% (as at 31st March, 2010: 55%) are repayable within one year, 6% (as at 31st March, 2010: 9%) are repayable in the second year and the remaining balance are repayable in the third to fifth year. The Group's loans from a bank are subject to floating interest rates while obligations under finance leases are subject to fixed interest rates.

The ratio of current assets to current liabilities of the Group was 0.55 as at 30th September, 2010 compared to 0.56 as at 31st March, 2010. The Group's gearing ratio as at 30th September, 2010 was 0.64 (as at 31st March, 2010: 0.59) which is calculated based on the Group's total liabilities of HK\$66.9 million (as at 31st March, 2010: HK\$55.5 million) and the Group's total assets of HK\$105.1 million (as at 31st March, 2010: HK\$93.3 million). As at 30th September, 2010, the Group's total cash and bank balances amounted to HK\$11.2 million compared to HK\$6.4 million as at 31st March, 2010.

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Hong Kong dollars, Renminbi, and United States dollars. The Group maintains a prudent strategy in its foreign exchange risk management, with the foreign exchange risks being minimized through balancing the monetary assets versus monetary liabilities, and foreign currency revenue versus foreign currency expenditure. The Group did not use any financial instrument to hedge against foreign currency risk.

CHARGE OF ASSETS

As at 30th September, 2010, 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\$74.3 million (as at 31st March, 2010: HK\$74.5 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, 2010, the facilities utilised amounted to HK\$56.4 million (as at 31st March, 2010: HK\$32.7 million).

In November 2008, a subsidiary of the Company initiated a legal action in the Intermediate 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 subsidiary in the sum of approximately HK\$1.9 million. A trial took place in April 2009 in the said court.

A judgement was handed down by the Intermediate People's Court of JiaXing City in April 2010 in which the subsidiary was required to pay the sub-contractor a lump sum of US\$200,000 and RMB13,489 to settle the case. The subsidiary has taken legal advice and an appeal was lodged with the Zhejiang Provincial High Court of Appeal in May 2010. As the final outcome of the legal proceedings is uncertain, no provision for such liabilities has been made in the consolidated financial statements.

Except for the foregoing, as at 30th September, 2010, the Group had no other significant contingent liabilities or pending litigation.

EMPLOYEES

As at 30th September, 2010, the Group had a total of 38 employees, as compared to 46 employees as at 31st March, 2010. Staff costs including directors' remuneration were approximately HK\$8 million and HK\$4.7 million for the Review Period and the six months ended 30th September, 2009 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, 2010, 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	206,625,600	12,804,000	285,120,000	(Note)	504,549,600	69.36%
Ms. Pang Shu Yuk, Adeline Rita	12,804,000	206,625,600	285,120,000	(Note)	504,549,600	69.36%

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)*

Long positions *(continued)*

Save as disclosed above, as at 30th September, 2010, 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, 2010, 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	219,429,600	30.16%
Pang Shu Yuk, Adeline Rita	Personal and family interest	219,429,600	30.16%
Wangkin Investments Inc. <i>(Note)</i>	Interest of a controlled corporation	285,120,000	39.2%
Takson International Holdings Limited <i>(Note)</i>	Beneficial owner	285,120,000	39.2%

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, 2010, no other person was recorded in the register of substantial shareholders maintained under Section 336 of Part XV of the SFO as having an interest or long positions in 5% or more of the issued share capital of the Company.

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

Share Option Scheme

The share option scheme (the "Share Option Scheme") which became effective on 4th October, 2006 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme may not in aggregate exceed 71,740,000, being 10% of the shares in issue of the Company as at 25th August, 2008, the date of the Annual General Meeting, on which the limit of the Share Option Scheme was refreshed. The offer of a grant may be accepted upon payment of a nominal consideration of HK\$1 per acceptance.

The exercise price of the share options granted under the Share Option Scheme is determined by the Board, but shall not be less than the highest of (i) the nominal value of the Company's shares, (ii) the closing price of the Company's shares on the Stock Exchange on the date of grant (iii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant.

During the Review Period, movements in the number of options which have been granted to certain directors, employees and others under the Company's share option scheme are as follows:

	Option type	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at end of the period
Executive Directors						
Mr. Wong Tek Sun, Takson	2007 Lot 2	2,000,000	—	—	—	2,000,000
	2009 Lot 2	5,174,000	—	—	—	5,174,000
	2010 Lot 1	—	7,266,000	—	—	7,266,000
Ms. Pang Shu Yuk, Adeline Rita	2007 Lot 2	2,000,000	—	—	—	2,000,000
	2009 Lot 2	5,174,000	—	—	—	5,174,000
	2010 Lot 1	—	7,266,000	—	—	7,266,000
		<u>14,348,000</u>	<u>14,532,000</u>	<u>—</u>	<u>—</u>	<u>28,880,000</u>
Employees	2009 Lot 4	500,000	—	(500,000)	—	—
	2009 Lot 5	700,000	—	(200,000)	—	500,000
	2010 Lot 1	—	200,000	—	—	200,000
		<u>15,548,000</u>	<u>14,732,000</u>	<u>(700,000)</u>	<u>—</u>	<u>29,580,000</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 2	28/12/06	28/12/08 to 27/12/10	0.413	0.161
2009 Lot 2	14/01/09	28/12/09 to 27/12/10	0.115	0.041
2009 Lot 4	27/04/09	27/04/09 to 26/04/12	0.107	0.052
2009 Lot 5	27/04/09	27/04/10 to 26/04/12	0.107	0.052
2010 Lot 1	01/04/10	01/01/11 to 31/12/12	0.325	0.1823

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 representing 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, 2010

		Unaudited	
		Six months ended	
		30th September,	
		2010	2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	124,954	46,907
Cost of sales		(108,155)	(37,060)
Gross profit		16,799	9,847
Other revenue		48	589
Selling, distribution and marketing expenses		(5,178)	(2,348)
Administrative expenses		(10,584)	(6,929)
Operating profit	5	1,085	1,159
Finance costs	6	(759)	(905)
Profit before taxation		326	254
Income tax expense	8	—	—
Profit for the period		326	254
		326	254
Other comprehensive loss			
Exchange differences on translating foreign operations		—	(189)
Total comprehensive income for the period		326	65
Profit for the period attributable to:			
Equity holders of the Company		326	254
Total comprehensive income attributable to:			
Equity holders of the Company		326	65
Profit per share attributable to the equity holders of the Company during the period			
— basic (HK cents)	9	0.04 cents	0.04 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September, 2010

		Unaudited 30th September, 2010 <i>HK\$'000</i>	Audited 31st March, 2010 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	11	7,863	8,171
Leasehold land	11	10,050	10,187
Investment properties	11	60,088	60,088
		<u>78,001</u>	<u>78,446</u>
Current assets			
Inventories		1,552	1,450
Trade receivables	12	11,850	1,342
Deposits, prepayments and other receivables		2,487	5,654
Cash at bank and in hand		11,231	6,440
		<u>27,120</u>	<u>14,886</u>
Total assets		<u>105,121</u>	<u>93,332</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	72,741	72,671
Reserves		(34,483)	(34,814)
		<u>38,258</u>	<u>37,857</u>
Minority interests		<u>(4)</u>	<u>(4)</u>
Total equity		<u>38,254</u>	<u>37,853</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	13,999	15,618
Long-term liabilities	16	263	263
Deferred tax liabilities		2,940	2,940
Loans from a director		—	10,200
		<u>17,202</u>	<u>29,021</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30th September, 2010

		Unaudited 30th September, 2010 <i>HK\$'000</i>	Audited 31st March, 2010 <i>HK\$'000</i>
	<i>Notes</i>		
Current liabilities			
Trade payables	<i>13</i>	7,514	4,604
Other payables and accrued charges		3,550	2,992
Bank borrowings	<i>15</i>	38,601	18,862
		<u>49,665</u>	<u>26,458</u>
Total liabilities		<u>66,867</u>	<u>55,479</u>
Total equity and liabilities		<u>105,121</u>	<u>93,332</u>
Net current liabilities		<u>(22,545)</u>	<u>(11,572)</u>
Total assets less current liabilities		<u>55,456</u>	<u>66,874</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2010

(Unaudited)

	Share-based										
	Share capital	Share premium	Revaluation reserve	Share option 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	HK\$ '000
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
Balance at 1st April, 2010	72,671	57,035	9,276	2,880	1,511	2,214	(988)	(106,742)	37,857	(4)	37,853
Total comprehensive income for the period	—	—	—	—	—	—	—	326	326	—	326
Exercise of share option	70	5	—	—	—	—	—	—	75	—	75
Balance at 30th September, 2010	72,741	57,040	9,276	2,880	1,511	2,214	(988)	(106,416)	38,258	(4)	38,254

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September, 2010

	Unaudited Six months ended 30th September,	
	2010	2009
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(2,336)	2,731
Net cash outflow from investing activities	(109)	(163)
Net cash inflow from financing activities	7,236	11,842
Net increase in cash and cash equivalents	4,791	14,410
Cash and cash equivalents at beginning of period	6,440	2,695
Cash and cash equivalents at end of period	11,231	17,105
Analysis of cash and cash equivalents		
Cash at bank and in hand	11,231	17,105

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Takson Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products, and property investment.

The Company is a limited liability company incorporated in Bermuda and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its principal place of business is Room 513, 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong.

These condensed consolidated interim financial information has been approved for issue by the Board of Directors on 25th November, 2010.

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. SIGNIFICANT 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, 2010.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged 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
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable. The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact of these new or revised standards, amendments or interpretations and so far anticipate that the application of these new or revised standards, amendments or interpretations will have no material financial impact on the results and the financial position of the Group:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First-time Adopters ²
HKFRS 9	Financial Instruments ⁴
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

4. TURNOVER AND SEGMENT INFORMATION

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

By business segments:

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

	Six months ended 30th September, 2009 <i>HK\$'000</i>		
	Export business	Property investment	Total
Turnover	<u>45,600</u>	<u>1,307</u>	<u>46,907</u>
Segment operating profit/(loss)	<u>3,334</u>	<u>(1,578)</u>	1,756
Unallocated income			429
Unallocated corporate expenses			<u>(1,026)</u>
Operating profit			1,159
Finance costs	<u>(787)</u>	<u>(118)</u>	<u>(905)</u>
Profit before taxation			254
Taxation charge			<u>—</u>
Profit after taxation			<u>254</u>

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

By geographical segments:

	Turnover	
	Six months ended	
	30th September,	
	2010	2009
	HK\$'000	HK\$'000
United States of America	86,696	36,643
Europe	27,954	4,728
Canada	8,320	4,229
Others	1,984	1,307
	<u>124,954</u>	<u>46,907</u>

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Export business		Property investment		Total	
	Six months ended		Six months ended		Six months ended	
	30th September,		30th September,		30th September,	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting						
Rental income	<u>—</u>	<u>—</u>	<u>1,462</u>	<u>1,307</u>	<u>1,462</u>	<u>1,307</u>
Charging						
Cost of inventories sold	108,155	37,060	—	—	108,155	37,060
Amortisation of leasehold land	—	—	137	136	137	136
Depreciation of Owned property, plant and equipment	95	136	147	145	242	281
Leased property, plant and equipment	175	37	—	—	175	37
Operating lease rentals in respect of land and buildings	712	643	—	—	712	643
Staff costs, including directors' emoluments <i>(note 7)</i>	<u>3,972</u>	<u>2,257</u>	<u>4,079</u>	<u>2,393</u>	<u>8,051</u>	<u>4,650</u>

6. FINANCE COSTS

	Export business		Property investment		Total	
	Six months ended 30th September, 2010		Six months ended 30th September, 2010		Six months ended 30th September, 2010	
	2009	2010	2009	2010	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans	470	444	106	118	576	562
Interest element of finance lease obligations	39	13	—	—	39	13
Other interest expense	144	330	—	—	144	330
	<u>653</u>	<u>787</u>	<u>106</u>	<u>118</u>	<u>759</u>	<u>905</u>

7. STAFF COSTS

	Export business		Property investment		Total	
	Six months ended 30th September, 2010		Six months ended 30th September, 2010		Six months ended 30th September, 2010	
	2009	2010	2009	2010	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	3,820	2,179	4,046	2,360	7,866	4,539
Severance payments	—	42	—	—	—	42
Retirement benefit costs	152	36	33	33	185	69
	<u>3,972</u>	<u>2,257</u>	<u>4,079</u>	<u>2,393</u>	<u>8,051</u>	<u>4,650</u>

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong during the period (2009: HK\$ NIL).

9. PROFIT PER SHARE

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

	2010	2009
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>326</u>	<u>254</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>727,264</u>	<u>720,323</u>
Basic profit per share (<i>HK cents per share</i>)	<u>0.04</u>	<u>0.04</u>

No diluted profit per share is presented for the six months ended 30th September, 2010 and 2009 as the outstanding share options are anti-dilutive.

10. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2010 (2009: NIL).

11. CAPITAL EXPENDITURE

	Investment properties <i>HK\$'000</i>	Property, plant & equipment <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>	Total <i>HK\$'000</i>
Opening net book amount as at 1st April, 2009	51,544	7,140	10,459	69,143
Additions	—	163	—	163
Amortisation/depreciation	—	(318)	(136)	(454)
	<u>51,544</u>	<u>6,985</u>	<u>10,323</u>	<u>68,852</u>
Closing net book amount as at 30th September, 2009	<u>51,544</u>	<u>6,985</u>	<u>10,323</u>	<u>68,852</u>
Opening net book amount as at 1st April, 2010	60,088	8,171	10,187	78,446
Additions	—	109	—	109
Amortisation/depreciation	—	(417)	(137)	(554)
	<u>60,088</u>	<u>7,863</u>	<u>10,050</u>	<u>78,001</u>
Closing net book amount as at 30th September, 2010	<u>60,088</u>	<u>7,863</u>	<u>10,050</u>	<u>78,001</u>

12. TRADE RECEIVABLES

	30th September, 2010	31st March, 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	5,835	990
1 to 3 months	6,000	337
Over 3 months	15	15
	<u>11,850</u>	<u>1,342</u>

All trade receivables are denominated in US dollars.

Majority of the Group's export sales are generally on open account of 15 days and letter of credit at sight. Approximately HK\$11,797,000 or 99.6% of the trade receivables as at 30th September, 2010 have been settled by 25th November, 2010. The Group considers that the trade receivables as at 30th September, 2010 is fully recoverable and believes that no impairment allowance is necessary.

13. TRADE PAYABLES

At 30th September, 2010, the ageing analysis of trade payables is as follows:

	30th September, 2010	31st March, 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	4,610	2,146
1 to 3 months	2,262	1,817
4 to 6 months	1	2
Over 6 months	641	639
	<u>7,514</u>	<u>4,604</u>

All trade payables are denominated in US dollars.

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

14. SHARE CAPITAL

	Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
At 31st March, 2010 and 30th September, 2010	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 31st March, 2010	726,708,000	72,671
Shares issued	<u>700,000</u>	<u>70</u>
At 30th September, 2010	<u>727,408,000</u>	<u>72,741</u>

15. BANK BORROWINGS

At 30th September, 2010, the Group's bank loans and obligations under finance leases are repayable as follows:

	30th September, 2010 <i>HK\$'000</i>	31st March, 2010 <i>HK\$'000</i>
Non-current		
Long term bank loans — secured	12,915	14,295
Obligations under finance lease	1,084	1,323
	<u>13,999</u>	<u>15,618</u>
Current		
Short-term bank loans — secured	35,390	15,712
Current portion of long term bank loans — secured	2,739	2,690
Obligations under finance lease	472	460
	<u>38,601</u>	<u>18,862</u>
Total bank borrowings	<u>52,600</u>	<u>34,480</u>

15. BANK BORROWINGS (continued)

- (a) At 30th September, 2010, the Group's bank borrowings are repayable as follows:

	Bank loans		Obligations under finance leases	
	30th September, 2010 <i>HK\$'000</i>	31st March, 2010 <i>HK\$'000</i>	30th September, 2010 <i>HK\$'000</i>	31st March, 2010 <i>HK\$'000</i>
Within one year	38,129	18,402	472	460
In the second year	2,838	2,787	392	459
In the third to fifth year inclusive	10,077	11,508	692	864
Wholly repayable within 5 years	<u>51,044</u>	<u>32,697</u>	<u>1,556</u>	<u>1,783</u>

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

	30th September, 2010 <i>HK\$'000</i>	31st March, 2010 <i>HK\$'000</i>
Hong Kong Dollars	19,613	24,378
United States Dollars	<u>32,987</u>	<u>10,102</u>
	<u>52,600</u>	<u>34,480</u>

- (c) The effective interest rates for the Group's bank loans at the end of the review period were as follows:

	30th September, 2010	31st March, 2010
Hong Kong Dollars	3.86%	3.58%
United States Dollars	2.58%	2.39%

16. LONG-TERM LIABILITIES

	30th September, 2010 HK\$'000	31st March, 2010 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>

17. BANKING FACILITIES

As at 30th September, 2010, the Groups banking facilities amounting to approximately HK\$65,654,000 (31st March, 2010: approximately HK\$63,667,000) were secured by the following:

- (a) first legal charge over the Group's investment properties and leasehold land and buildings in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK\$74,283,000 (31st March, 2010: approximately HK\$74,476,000);
- (b) corporate guarantees from the Company and certain of its subsidiaries.

18. CONTINGENT LIABILITIES

- (a) The Company has executed corporate guarantees with respect to banking facilities made available to its subsidiaries. As at 30th September, 2010, the facilities utilised amounted to HK\$56.4 million (as at 31st March, 2010: HK\$32.7 million).
- (b) In November 2008, a subsidiary of the Company initiated a legal action in the Intermediate 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 subsidiary in the sum of approximately HK\$1.9 million. A trial took place in April 2009 in the said court.

A judgement was handed down by the Intermediate People's Court of JiaXing City in April 2010 in which the subsidiary was required to pay the sub-contractor a lump sum of US\$200,000 and RMB13,489 to settle the case. The subsidiary has taken legal advice and an appeal was lodged with the Zhejiang Provincial High Court of Appeal in May 2010. As the final outcome of the legal proceedings is uncertain, no provision for such liabilities has been made in the consolidated financial statements

18. CONTINGENT LIABILITIES *(continued)*

(b) *(continued)*

Except for the foregoing, as at 30th September 2010, the Group had no other significant contingent liabilities or pending litigation

19. COMMITMENTS

(a) Capital commitments

As at 30th September, 2010, the Group had the following capital commitments which are contracted but not provided for:

	30th September, 2010 HK\$000	31st March, 2010 HK\$000
Purchase of property, plant and equipment	—	3

The Company had no material capital commitments as at 30th September, 2010 and 31st March 2010.

(b) Commitments under operating leases

(i) At 30th September, 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2010 HK\$000	31st March, 2010 HK\$000
Not later than one year	773	1,400
Later than one year and not later than five years	56	207
	829	1,607

19. COMMITMENTS *(continued)*

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

- (ii) At 30th September, 2010, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2010	31st March, 2010
	HK\$000	HK\$000
Not later than one year	2,822	2,511
Later than one year and not later than five years	1,164	888
	3,986	3,399

20. RELATED-PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group or any member of its key management personnel or their close family members has the ability, directly or indirectly, to exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control or significant influence. Related parties may be individuals or entities.

(a) Key management compensation

	Six months ended	
	30th September, 2010	2009
	HK\$000	HK\$000
Salaries and other short-term employee benefits	3,425	2,489

(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.

21. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current period's presentation and the details are as follows:

The rental income in prior period amounted to HK\$1,306,879 was grouped under the class of "other revenue" in the condensed consolidated statement of comprehensive income in accordance with the Group's accounting policy.

Since last financial year, the Group has revised the accounting policy as a result of the application of HKAS1 (revised 2007), Presentation of financial statements and HKFRS 8, Operating segments, the rental income have been reclassified from other revenue into turnover to conform with current period's presentation.

By Order of the Board
Wong Tek Sun, Takson
Chairman

Hong Kong, 25th November, 2010

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.