



## TAKSON HOLDINGS LIMITED

### 第一德勝控股有限公司\*

(Incorporated in Bermuda with limited liability)

website: <http://www.takson.com>

(Stock Code: 918)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2008

### RESULTS

The Board of Directors of Takson Holdings Limited (“the Company”) announces the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31st March, 2008 (the “Financial Year”), together with the comparative figures for the year ended 31st March, 2007 as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Continuing operations</b>			
Turnover	3	90,717	57,460
Cost of sales		<u>80,831</u>	<u>45,638</u>
Gross profit		9,886	11,822
Other income	3	5,199	7,927
Selling, distribution and marketing expenses		(5,843)	(4,534)
Administrative expenses		<u>(28,137)</u>	<u>(32,424)</u>
Operating loss	4	(18,895)	(17,209)
Finance costs	5	(3,941)	(3,418)
Loss before taxation		<u>(22,836)</u>	<u>(20,627)</u>
Income tax expense	6	(17)	(318)
Loss for the year from continuing operations		<u>(22,853)</u>	<u>(20,945)</u>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	7	<u>(23,253)</u>	<u>(14,882)</u>
		<u>(46,106)</u>	<u>(35,827)</u>
Attributable to:			
Equity holders of the Company		(46,106)	(35,827)
Minority interests		<u>—</u>	<u>—</u>
		<u>(46,106)</u>	<u>(35,827)</u>
Loss per share for loss attributable to the equity holders of the Company			
From continuing and discontinued operations			
— basic (HK cents)	8	<u>(8.91)</u>	<u>(6.92)</u>
From continuing operations			
— basic (HK cents)	8	<u>(4.42)</u>	<u>(4.05)</u>

\* for identification purpose only

# CONSOLIDATED BALANCE SHEET

As at 31st March, 2008

	<i>Note</i>	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		—	17,341
Property, plant and equipment		<b>8,683</b>	22,482
Leasehold land and land use rights		<b>10,732</b>	13,652
Investment properties		<b>43,720</b>	22,253
		<u><b>63,135</b></u>	<u>75,728</u>
<b>Current assets</b>			
Licensing rights		<b>12,002</b>	—
Inventories		<b>7,358</b>	14,693
Trade receivables	9	<b>914</b>	18,864
Deposits, prepayments and other receivables		<b>2,868</b>	5,322
Pledged bank deposit		—	10,521
Cash at bank and in hand		<b>2,066</b>	8,741
		<u><b>25,208</b></u>	<u>58,141</u>
<b>Total assets</b>		<u><b>88,343</b></u>	<u>133,869</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		<b>51,740</b>	51,740
Reserves		<b>(68,171)</b>	(29,949)
<b>Total equity</b>		<u><b>(16,431)</b></u>	<u>21,791</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings		<b>10,331</b>	10,785
Long-term liabilities		<b>263</b>	11,517
Deferred tax liabilities		<b>3,788</b>	898
Loans from a director		<b>38,736</b>	13,600
		<u><b>53,118</b></u>	<u>36,800</u>
<b>Current liabilities</b>			
Trade payables	10	<b>1,306</b>	14,581
Other payables and accrued charges		<b>8,680</b>	14,286
Taxation payable		<b>1,000</b>	1,000
Bank borrowings		<b>28,668</b>	40,957
Current portion of long-term liabilities		<b>12,002</b>	4,454
		<u><b>51,656</b></u>	<u>75,278</u>
<b>Total liabilities</b>		<u><b>104,774</b></u>	<u>112,078</u>
<b>Total equity and liabilities</b>		<u><b>88,343</b></u>	<u>133,869</u>
<b>Net current (liabilities)</b>		<u><b>(26,447)</b></u>	<u>(17,137)</u>
<b>Total assets less current liabilities</b>		<u><b>36,687</b></u>	<u>58,591</u>

Notes:

## **1. Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and buildings.

The Group incurred a loss of approximately HK\$46,106,000 for the year ended 31st March, 2008 (2007: HK\$35,827,000) and had net current liabilities of approximately HK\$26,447,000 as at 31st March, 2008 (2007: HK\$17,137,000). The directors are taking steps to improve the Group’s liquidity and financial performance. Subsequent to the balance sheet date, a director and substantial shareholder of the Company, has capitalised part of his loan to the Group in the sum of HK\$36 million. As a result, the capital base of the Company was strengthened by the said amount and the Group would achieve annual savings of approximately HK\$1.8 million in interest at the current applicable interest rate. Other steps include active cost-saving and other measures to improve the Group’s operating cash flows and financial position and obtaining the financial support from a director who is a shareholder of the Company.

The directors have given careful consideration to the Group’s financial performance and liquidity position. On the basis that the Group’s operating results and cash flows will be improved through the implementation of the measures described above and having considered the Group’s current operation and business plan as well as the currently available banking facilities and support from a director mentioned above, the directors are satisfied that the Group will be able to meet in full its financial obligations when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the financial statements in the annual report.

## **2. Application of New and Revised Hong Kong Financial Reporting Standards**

During the year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for the current financial year. The adoption of these new HKFRSs had no material effect on how the results for the current or prior accounting years have been prepared and presented.

The adoption of these new HKFRSs did not affect recognition or measurement of the amounts recognised in the financial statements for the current or prior accounting years. As a result, no prior year adjustment is required.

However, the adoption of “HKFRS 7 Financial Instruments: Disclosure” and “Amendment to HKAS 1, Presentation of financial statements: Capital disclosure” resulted in much more extensive disclosures in respect of financial instruments and an additional disclosure on capital management policy respectively. Comparative information has been restated to achieve a consistent presentation.

### 3. Turnover and segment Information

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

	Export Business (Continuing operations)		Licensee Business (Discontinued operations)		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>						
Sales of goods	<b>90,717</b>	57,460	<b>27,139</b>	80,645	<b>117,856</b>	138,105
<b>Other income</b>						
Income from						
sample sales	25	166	—	—	25	166
Interest income	154	535	—	—	154	535
Rental income	1,141	135	—	—	1,141	135
Profit on disposal of						
investment						
properties	—	660	—	—	—	660
Gain on revaluation of						
investment						
properties	3,522	2,118	—	—	3,522	2,118
Write-back of						
trade payables	—	358	—	—	—	358
Proceeds from disposal						
of intangible assets	—	3,880	—	—	—	3,880
Sundry income	357	75	1,854	150	2,211	225
	<b>5,199</b>	7,927	<b>1,854</b>	150	<b>7,053</b>	8,077

The Group operates mainly in Hong Kong and the PRC and in the following business segments:

- Export (Continuing) – sales of outerwear garments to overseas customers.
- Licensee (Discontinued) – retailing and distribution of DIADORA sportswear products in the PRC and Hong Kong.

Primary reporting format — business segments

	2008		Total <i>HK\$'000</i>
	Export business (Continuing operations) <i>HK\$'000</i>	Licensee business (Discontinued operations) <i>HK\$'000</i>	
Turnover	<u>90,717</u>	<u>27,139</u>	<u>117,856</u>
Segment operating (loss)	<u>(3,904)</u>	<u>(20,759)</u>	(24,663)
Interest income			154
Unallocated income			4,504
Unallocated corporate expenses			<u>(19,649)</u>
Operating loss			(39,654)
Finance costs	(3,941)	(2,494)	<u>(6,435)</u>
Loss before taxation			(46,089)
Taxation charge			<u>(17)</u>
Loss after taxation			<u>(46,106)</u>
Segment assets	30,497	19,655	50,152
Unallocated assets			<u>38,191</u>
Total assets			<u>88,343</u>
Segment liabilities	69,296	32,256	101,552
Unallocated liabilities			<u>3,222</u>
Total liabilities			<u>104,774</u>
Capital expenditure	830	1,245	2,075
Depreciation of property, plant and equipment	(914)	(1,526)	(2,440)
Amortization of leasehold land and land use rights	(263)	—	(263)
Gain on revaluation of investment properties	3,522	—	3,522
Amortization of licensing rights	—	(5,475)	(5,475)

	2007		Total <i>HK\$'000</i>
	Export business (Continuing operations) <i>HK\$'000</i>	Licensee business (Discontinued operations) <i>HK\$'000</i>	
Turnover	57,460	80,645	138,105
Segment operating profit/(loss)	2,081	(19,061)	(16,980)
Interest income			535
Unallocated income			6,876
Unallocated corporate expenses			(20,876)
Operating loss			(30,445)
Finance costs	(3,418)	(1,646)	(5,064)
Loss before taxation			(35,509)
Taxation charge			(318)
Loss after taxation			(35,827)
Segment assets	30,413	71,917	102,330
Unallocated assets			31,539
Total assets			133,869
Segment liabilities	31,109	65,358	96,467
Unallocated liabilities			15,611
Total liabilities			112,078
Capital expenditure	872	3,992	4,864
Depreciation of property, plant and equipment	(1,332)	(1,644)	(2,976)
Amortization of leasehold land and land use rights	(295)	(160)	(455)
Gain on revaluation of investment properties	2,118	—	2,118
Amortization of licensing rights	—	(4,610)	(4,610)

## Secondary reporting format — geographical segments

		2008	
	Turnover	Total assets	Capital expenditure
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,123	47,161	830
PRC	26,017	40,262	1,245
United States of America	71,923	125	—
Europe	7,040	172	—
Canada	10,741	7	—
Australia	957	—	—
Others	55	616	—
	<u>117,856</u>	<u>88,343</u>	<u>2,075</u>
		2007	
	Turnover	Total assets	Capital expenditure
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	7,878	57,482	872
PRC	72,767	76,387	3,992
United States of America	41,479	—	—
Europe	10,831	—	—
Canada	3,879	—	—
Australia	1,040	—	—
Others	231	—	—
	<u>138,105</u>	<u>133,869</u>	<u>4,864</u>

Revenue is allocated based on the country in which the customers are located. Assets and capital expenditure are allocated based on where the assets are located.

4. Operating loss is stated after charging the following expenses

	Export business		Licensee business		Consolidated	
	(Continuing operations)		(Discontinued operations)			
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	<b>80,831</b>	45,638	<b>20,431</b>	61,358	<b>101,262</b>	106,996
Amortisation of licensing rights	—	—	<b>5,475</b>	4,610	<b>5,475</b>	4,610
Amortisation of leasehold land use rights	<b>343</b>	455	—	—	<b>343</b>	455
Auditor's remuneration	<b>586</b>	974	<b>109</b>	86	<b>695</b>	1,060
Bad debts written off	<b>4</b>	301	<b>6,318</b>	620	<b>6,322</b>	921
Depreciation						
Owned property, plant and machinery	<b>1,076</b>	1,543	<b>1,359</b>	1,328	<b>2,435</b>	2,871
Leased property, plant and machinery	<b>84</b>	105	—	—	<b>84</b>	105
Net exchange loss	<b>137</b>	727	<b>1</b>	74	<b>138</b>	801
Net loss on disposal of property, plant and equipment	<b>883</b>	875	<b>6,585</b>	—	<b>7,468</b>	875
Operating lease rentals in respect of land and buildings	<b>1,664</b>	1,142	<b>117</b>	—	<b>1,781</b>	1,142
Staff costs, including directors' emoluments	<b>20,985</b>	20,093	<b>3,439</b>	8,461	<b>24,424</b>	28,554
Other general and administrative expenses	<b>8,218</b>	10,743	<b>5,918</b>	17,494	<b>14,136</b>	28,237
	<b>114,811</b>	82,596	<b>49,752</b>	94,031	<b>164,563</b>	176,627



## 5. Finance costs

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans	2,328	3,250	944	215	3,272	3,465
Interest element of finance lease obligations	27	33	—	—	27	33
Other interest expense – unwinding of discount	—	135	1,550	1,431	1,550	1,566
Interest on director's loan	1,586	—	—	—	1,586	—
	<u>3,941</u>	<u>3,418</u>	<u>2,494</u>	<u>1,646</u>	<u>6,435</u>	<u>5,064</u>

## 6. Taxation

The amount of taxation charged/(credited) to the consolidated income statement represents:

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax						
Current tax	—	—	—	—	—	—
Under-provision in previous years	—	161	—	—	—	161
Overseas taxation						
Current tax	17	1,000	—	—	17	1,000
Deferred taxation relating to the origination and reversal of temporary differences	—	(843)	—	—	—	(843)
Taxation charge	<u>17</u>	<u>318</u>	<u>—</u>	<u>—</u>	<u>17</u>	<u>318</u>

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profit arising in Hong Kong during the year (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.

The tax on the Group's loss before taxation differs from the theoretical amount that would arise using Hong Kong profits tax rate as follows:

	<b>Group</b>	
	<b>2008</b>	2007
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loss before taxation		
— Continuing operations	<b>(22,836)</b>	(20,627)
— Discontinued operations	<b>(23,253)</b>	(14,882)
	<b>(46,089)</b>	(35,509)
Tax at Hong Kong profits tax rate of 17.5% (2007: 17.5%)	<b>(8,066)</b>	(6,214)
Effect of different taxation rates in other countries	<b>(2,136)</b>	(1,542)
Income not subject to taxation	<b>(943)</b>	(757)
Expenses not deductible for taxation purposes	<b>2,673</b>	1,379
Utilization of previously unrecognized tax losses	<b>(66)</b>	(1,667)
Unrecognised tax losses	<b>8,585</b>	8,958
Temporary differences not previously recognized	<b>(30)</b>	—
Under-provision in previous years	<b>—</b>	161
Taxation charge	<b>17</b>	318

## **7. Discontinued operations**

In late December 2007, the Group began negotiation with the DIADORA S.P.A., the owner and proprietor of the “Diadora” trademark, 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 and cash flows of the discontinued operations were as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Discontinued operations</b>		
Turnover	27,139	80,645
Cost of sales	<u>20,431</u>	<u>61,358</u>
Gross profit	6,708	19,287
Other income	1,854	150
Net operating expenses	<u>(29,321)</u>	<u>(32,673)</u>
Operating loss	(20,759)	(13,236)
Finance costs	<u>(2,494)</u>	<u>(1,646)</u>
Loss before taxation	(23,253)	(14,882)
Income tax expense	<u>—</u>	<u>—</u>
Loss for the year from continuing operations	<u><u>(23,253)</u></u>	<u><u>(14,882)</u></u>
<b>Cash flows from discontinued operations</b>		
Operating cash flows	1,942	22,093
Investing cash flows	(5,948)	6,425
Financing cash flows	8,352	(25,303)

## 8. Loss per share

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

	<b>2008</b>	2007
Loss attributable to the equity holders of the Company from continuing and discontinued operations (HK\$'000)	<u><u>46,106</u></u>	<u><u>35,827</u></u>
Loss attributable to the equity holders of the Company from continuing operations (HK\$'000)	<u><u>22,853</u></u>	<u><u>20,945</u></u>
Weighted average number of ordinary shares in issue (thousands)	<u><u>517,400</u></u>	<u><u>517,400</u></u>
Basic loss per share from continuing operations and discontinued operations (HK cents per share)	<u><u>8.91</u></u>	<u><u>6.92</u></u>
Basic loss per share from continuing operations (HK cents per share)	<u><u>4.42</u></u>	<u><u>4.05</u></u>

No diluted loss per share is presented as the outstanding share options were anti-dilutive.

## 9. Trade receivables

The ageing analysis of trade receivables is as follows:

	<b>Group</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	343	13,286
1 to 3 months	—	5,311
Over 3 months	6,893	691
	<u>7,236</u>	<u>19,288</u>
Less: provision for bad and doubtful debts	(6,322)	(424)
	<u>914</u>	<u>18,864</u>

Trade receivables are denominated in the following currencies:

	<b>Group</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
US dollars	914	4,614
Renminbi	—	13,534
Hong Kong dollars	—	716
	<u>914</u>	<u>18,864</u>

- (a) Majority of the Group's export sales are generally on open account of 45 days and letter of credit at sight. The Group's licensee sales are with credit terms of between 30 to 90 days.
- (b) As at 31st March, 2008, trade receivables were factored to banks in the amount of HK\$ 690,000 (2007: HK\$ 3,497,000).

## 10. Trade payables

The ageing analysis of trade payables is as follows:

	<b>Group</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	720	4,948
1 to 3 months	246	7,616
4 to 6 months	—	1,164
Over 6 months	340	853
	<u>1,306</u>	<u>14,581</u>

Trade payables are denominated in the following currencies:

	<b>Group</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
US dollars	<b>290</b>	6,597
Renminbi	<b>339</b>	7,271
Hong Kong dollars and others	<b>677</b>	713
	<b>1,306</b>	14,581

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

## 11. Final Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2008 (2007: HK\$Nil).

## 12. Subsequent events

- a) On 7th April, 2008, the Group signed two agreements for the termination of the “Diadora” license and the sale of the related inventories and accounts receivable. The consideration for the termination of the license in the sum of US\$2.59 million was received in May 2008. It was used partially for repayment of bank loan of RMB8.85 million and the balance as working capital of the Group. The completion of the sale of related inventories and accounts receivable is scheduled to be completed by 11th August 2008.
- b) On 24th April 2008, the Company entered into a subscription agreement with Mr. Wong Tek Sun, Takson (“Mr. Wong”), a director and substantial shareholder of the Company. Pursuant to that agreement, the Company issued and allotted an aggregate of 200,000,000 ordinary shares to Mr. Wong at the price of HK\$0.18 per share for the capitalisation of loan of HK\$36 million advanced by Mr. Wong to the Company. The transaction was approved by the independent shareholders in a special general meeting held on 27th May 2008.

## MODIFICATION OF INDEPENDENT AUDITOR’S REPORT

The auditor modified its auditor’s report on the consolidated financial statements for the year ended 31st March, 2008 in respect of uncertainties relating to the going concern.

### Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 above which indicates that the Group incurred a net loss of approximately HK\$46,106,000 during the year ended 31st March, 2008 and, as at that date, the Group’s current liabilities exceeded its current assets by approximately HK\$26,447,000. These conditions, along with other matters as set forth above, indicate the existence of uncertainty which may cast doubt about the Group’s ability to continue as a going concern.

As described in Note 1 above, the directors are taking steps to improve the Group's liquidity and financial performance, including the issuance of new shares and by terminating a losing line of business. It also includes obtaining financial support from a director who is a shareholder of the Group.

## **BUSINESS OVERVIEW**

The Group has two main business segments: the Export Business and the Licensee Business.

### **Export Business**

The Group has been focusing on its business strategy to develop and expand the Export Business starting from the previous year. Turnover for the Financial Year increased by 58% to HK\$90.7 million (2007: HK\$57.5 million) and the gross profit margin achieved was approximately 10.9% (2007: 20.6%). The gross profit margin decreased from that of the financial year ended 31st March, 2007 was mainly due to a surge in sub-contracting cost as a result of gradual appreciation in RMB during the year and the receipt of bulk orders from certain past customers with lower profit margins to re-establish business ties with them.

Moving forward, the Group will continue to focus on this traditional core business by soliciting orders from new and past customers and try to achieve a higher gross profit margin in the coming years.

### **Licensee Business**

For the Licensee Business, the Group had negotiated an early termination of the license with "Diadora" and a termination and release agreement was signed with DIADORA S.P.A., the owner and proprietor of the "Diadora" trademark, in April 2008.

For Diadora, the Group had invested substantially in the past few years to establish the brand in the People's Republic of China (the "PRC") market with more than 300 Diadora's brand-owned shops opened in the PRC and Hong Kong and operated by the Group or the Group's business partners. However, the investment return did not quite meet the expectation of the Group and it was envisaged that further investment of substantial sum in advertising, distribution network, inventory and logistic support would be required to make the business competitive in the market. After careful consideration of the Group's resources and brand owner's expectations, the Directors entered into negotiation with the brand owner to effect an early termination of the license agreement in late 2007. Two agreements to terminate the license and to dispose of the remaining inventories on hand was respectively reached with the brand owner in April 2008 and announced by the Board.

## **FINANCIAL REVIEW**

During the Financial Year, the Group has recorded a turnover of approximately HK\$117.9 million as compared to HK\$138.1 million last year, representing a decrease of approximately 14.7%. The turnover for the Export Business was approximately HK\$90.7 million (2007: HK\$57.5 million) while the turnover for the Licensee Business was approximately HK\$27.1 million (2007: HK\$80.6 million). The increase in turnover of the Export Business is a result of the refocusing of the Group towards this line of business. On the other hand, the significant decrease in the turnover of the Licensee Business was mainly due to the suspension of the Licensee Business towards the end of 2007.

The gross profit margin of the Export Business was approximately 10.9% (2007: 20.6%) while the gross profit margin of the Licensee Business was approximately 24.7% (2007: 24%). The decrease in the gross profit margin of the Export Business was mainly due to a surge in sub-contracting cost as a result of gradual appreciation in RMB during the year and the receipt of bulk orders from certain past customers with lower profit margins to re-establish business ties with them.

Loss for the year increased mainly due to the cessation of the licensee business and the related write-off of fixed assets and accounts receivables in connection with the licensee business.

## **Prospects**

### ***Export Business***

The Group will continue to focus on export business and expand its customer base and diversify the product varieties beyond outerwear so that a more balanced product mix will be achieved in the forthcoming years. The Group has been soliciting orders from customers of up end market and expects that it can achieve a higher profit margin from diversification of its customer base. Although the market is faced with many challenges, the Board is cautiously optimistic that with an extensive customer network and the management's expertise and reputation in this field, the Group will steer on a right track of recovery in the future.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations by 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\$20.5 million for the Financial Year (2007: HK\$7.5 million).

As at 31st March 2008, the Group's net borrowings comprised bank loans, obligations under finance leases and loans from a director who is a shareholder of the Company, the aggregate amount of which was approximately HK\$77.7 million (2007: HK\$65.3 million). Among the total outstanding amounts of bank loans and obligations under finance leases and loans from a director as at 31st March, 2008, 37% (2007: 63%) is repayable within the next year, 51% (2007: 22%) is repayable within the second year and the remaining 12% (2007: 15%) repayable in the third to fifth year. The Group's bank loans 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 0.49 as at 31st March, 2008 compared to 0.77 as at 31st March, 2007. The Group's gearing ratio as at 31st March, 2008 was 1.18 (2007: 0.8) which is calculated based on the Group's total liabilities of HK\$104.8 million (2007: HK\$112.1 million) and the Group's total assets of HK\$88.3 million (2007: HK\$133.9 million). As at 31st March, 2008, the Group's total cash and bank balances amounted to HK\$2.1 million compared to HK\$8.7 million as at 31st March, 2007. The cash and bank balances together with the available banking facilities and the financial support from a director who is a shareholder of the Company can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

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 its 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 31st March, 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\$58.9 million (2007: HK\$46.7 million) were pledged as first legal charge for the Group's banking facilities.

## **CONTINGENT LIABILITIES AND LITIGATION**

The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. As at 31st March, 2008, the facilities utilized amounted to HK\$40.8 million (2007: HK\$40.5 million).

In February 2007, the Company initiated a legal action to claim the landlord of the Directors' quarters for damages and return of deposit as a result of wrongful repudiation of the tenancy agreement, which is quantified at HK\$604,000 plus general damages and additional rent, rates and management fee to be assessed. The landlord commenced a separate legal action to counter-claim the Company in the amount of approximately HK\$705,000, being the outstanding and unpaid rent for the remainder of the term of the tenancy agreement as reduced by the rental earned by the landlord from re-letting the premises, plus losses, damages, repair costs and re-instatement expenses to be assessed.

As the legal proceedings are still ongoing and the outcome is uncertain, the Directors are of the opinion that the amount of obligations (if any) cannot be ascertained at this stage and, accordingly, no provision for such liability has been made as at 31st March, 2008.

Except for the foregoing, as at 31st March, 2008, the Group had no other significant contingent liabilities or pending litigation.

## **EMPLOYEES**

As of 31st March, 2008, the Group had a total of 64 employees (2007: 144 employees). The decrease in the number of employees was due to the suspension and subsequent termination of the Licensee Business towards the end of the Financial Year. During the Financial Year, total staff costs (including directors' remuneration) amounted to approximately HK\$24.4 million (2007: HK\$28.6 million).

The Group remunerates its employees (including Directors) primarily with reference to industry practices, including contributory provident funds, insurance and medical benefits. The emoluments of the directors of the Company are decided 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 management and staff with awards which are determined annually based upon the performance of the Group and individual employees. As at 31st March, 2008, the Group had an aggregate of 19,500,000 share options issued to its Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.



## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company had not redeemed any of its shares during the Financial Year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the Financial Year.

## **REVIEW OF FINAL RESULTS**

The Audit Committee has reviewed the annual results of the Group for the year ended 31st March, 2008.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Financial Year, except for the deviations from Code Provisions A.2.1 and A.4.1. Further details of the Company's corporate governance practices are set out in the Corporate Governance Report in the Annual Report for the Financial Year.

### **Chairman and Chief Executive Officer**

Code provision A.2.1 stipulates that the roles of the chairman and the chief executive officer of the Company should be separated 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 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.

One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board always acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and fully discharges its responsibilities, and that all key issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda.

The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the composition of the Board which comprises experienced independent non-executive Directors and experienced management team. The Board will also evaluate the existing structure from time to time.

### **Term of the non-executive Directors**

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.

### **Audit Committee**

The written terms of reference which describe the authority and duties of 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 matters coming within the scope of the audit of the Group. It also reviews the effectiveness of the external audit and the internal controls and risk evaluation. Currently, the Audit Committee comprises two independent non-executive Directors, namely, Mr. Lee Kwok Cheung and Mr. Chau Tsun Ming, Jimmy, and a non-executive Director, Mr. Wong Tak Yuen. Five meetings were held during the year.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 20th August, 2008 (Wednesday) to 25th August, 2008 (Monday) (both dates inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on 25th August, 2008, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Abacus Share Registrars Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 19th August, 2008 (Tuesday).

### **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This announcement is published on the HKEx website (<http://www.hkex.com.hk>) and the Company's website (<http://www.takson.com>). The 2008 annual report containing all the information required by the Rules Governing the Listing of Securities on the Stock Exchange will be published on the HKEx website and the Company's website in due course.

By Order of the Board  
**Wong Tek Sun, Takson**  
*Chairman*

Hong Kong, 25th July, 2008

*The board at the date of announcement comprises Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita, who are executive directors; and Mr. Lee Kwok Cheung, Mr. Cunningham, James Patrick and Mr. Chau Tsun Ming, Jimmy, who are independent non-executive directors; and Mr. Wong Tak Yuen is the non-executive director.*