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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 CONDENSED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2011

The Board of Directors (the “Board”) of Takson Holdings Limited (the “Company”) presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2011 (“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.

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2011

		Unaudited Six months ended 30th September, 2011		2010
	Notes	HK\$'000		HK\$'000
Turnover	3	64,919		124,954
Cost of sales		<u>(50,153)</u>		<u>(108,155)</u>
Gross profit		14,766		16,799
Other revenue		158		48
Selling, distribution and marketing expenses		(3,160)		(5,178)
Administrative expenses		<u>(9,850)</u>		<u>(10,584)</u>
Operating profit	4	1,914		1,085
Finance costs	5	<u>(731)</u>		<u>(759)</u>
Profit before taxation		1,183		326
Income tax expense	6	<u>—</u>		<u>—</u>
Profit for the period		<u>1,183</u>		<u>326</u>
There was no other comprehensive income or loss during the period.				
Profit for the period attributable to:				
Equity holders of the Company		<u>1,183</u>		<u>326</u>
Total comprehensive income attributable to:				
Equity holders of the Company		<u>1,183</u>		<u>326</u>
Profit per share attributable to the equity holders of the Company during the period				
— basic (HK cents)	7	<u>0.15 cents</u>		<u>0.04 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September, 2011

		Unaudited 30th September, 2011 HK\$'000	Audited 31st March, 2011 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		8,549	7,520
Leasehold land		17,683	9,914
Investment properties		66,928	76,292
		<u>93,160</u>	<u>93,726</u>
Current assets			
Inventories		682	904
Trade receivables	9	27	350
Bills receivable		1,422	—
Deposits, prepayments and other receivables		3,332	5,082
Cash at bank and in hand		22,005	14,125
		<u>27,468</u>	<u>20,461</u>
Total assets		<u>120,628</u>	<u>114,187</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		77,445	77,445
Reserves		(21,779)	(22,962)
Total equity		<u>55,666</u>	<u>54,483</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings		693	864
Long-term liabilities		263	263
Deferred tax liabilities		2,940	2,940
		<u>3,896</u>	<u>4,067</u>
Current liabilities			
Trade payables	10	3,611	1,603
Other payables and accrued charges		1,706	2,916
Bank borrowings		55,749	51,118
		<u>61,066</u>	<u>55,637</u>
Total liabilities		<u>64,962</u>	<u>59,704</u>
Total equity and liabilities		<u>120,628</u>	<u>114,187</u>
Net current liabilities		<u>(33,598)</u>	<u>(35,176)</u>
Total assets less current liabilities		<u>59,562</u>	<u>58,550</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. 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.

2. 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, 2011.

APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and revised Standards and Interpretations applied with no material effects on the consolidated interim financial statements

The following new and revised Standards and Interpretations have also been applied in these consolidated interim financial statements. The application of these new and revised Standards and Interpretations does not have any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) - Int 14 (Amendments)	Prepayments of Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

New and revised Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe hyperinflation and fixed dates for first-time adopters ¹
HKFRS 9 (Revised)	Financial Instruments ³
HKFRS 10	Consolidated financial statements ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ³
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ³

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 January 2013

3. 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, 2011 HK\$'000			
	Export business	Property investment	Total
Turnover	<u>63,465</u>	<u>1,454</u>	<u>64,919</u>
Segment operating profit/(loss)	<u>6,993</u>	<u>(3,196)</u>	<u>3,797</u>
Unallocated corporate expenses			<u>(1,883)</u>
Operating profit			<u>1,914</u>
Finance costs	<u>(637)</u>	<u>(94)</u>	<u>(731)</u>
Profit before taxation			<u>1,183</u>
Taxation charge			<u>—</u>
Profit after taxation			<u><u>1,183</u></u>

Six months ended 30th September, 2010 HK\$'000			
	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>	<u>1,979</u>
Unallocated corporate expenses			<u>(894)</u>
Operating profit			<u>1,085</u>
Finance costs	<u>(653)</u>	<u>(106)</u>	<u>(759)</u>
Profit before taxation			<u>326</u>
Taxation charge			<u>—</u>
Profit after taxation			<u><u>326</u></u>

By geographical segments:

	Turnover	
	Six months ended	
	30th September,	
	2011	2010
	HK\$'000	HK\$'000
United States of America	44,755	86,696
Europe	—	27,954
Canada	14,668	8,320
Others	5,496	1,984
	<u>64,919</u>	<u>124,954</u>

4. 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,	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting						
Interest income	155	—	—	—	155	—
Rental income	—	—	1,454	1,462	1,454	1,462
Charging						
Cost of inventories sold	50,153	108,155	—	—	50,153	108,155
Amortisation of leasehold land	—	—	229	137	229	137
Depreciation Owned property, plant and equipment	107	95	163	147	270	242
Leased property, plant and equipment	133	175	—	—	133	175
Operating lease rentals in respect of land and buildings	773	712	—	—	773	712
Staff costs, including directors' emoluments	3,175	3,972	4,078	4,079	7,253	8,051

5. Finance costs

	Export business		Property investment		Total	
	Six months ended		Six months ended		Six months ended	
	30th September,		30th September,		30th September,	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans	604	470	94	106	698	576
Interest element of finance lease obligations	26	39	—	—	26	39
Other interest expense	7	144	—	—	7	144
	<u>637</u>	<u>653</u>	<u>94</u>	<u>106</u>	<u>731</u>	<u>759</u>

6. 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 (2010: HK\$ NIL).

7. 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.

	2011	2010
Profit attributable to the equity holders of the Company (HK\$'000)	<u>1,183</u>	<u>326</u>
Weighted average number of ordinary shares in issue (thousands)	<u>774,456</u>	<u>727,264</u>
Basic profit per share (HK cents per share)	<u>0.15</u>	<u>0.04</u>

No diluted profit per share is presented for the six months ended 30th September, 2011 and 2010 as the outstanding share options are anti-dilutive.

8. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2011 (2010: HK\$ NIL).

9. Trade receivables

At 30th September, 2011, the ageing analysis of trade receivables is as follows:

	30th September, 2011 <i>HK\$'000</i>	31st March, 2011 <i>HK\$'000</i>
Current	—	323
1 to 3 months	—	—
Over 3 months	<u>27</u>	<u>27</u>
	<u>27</u>	<u>350</u>

All trade receivables are denominated in US dollars.

10. Trade payables

At 30th September, 2011, the ageing analysis of trade payables is as follows:

	30th September, 2011 <i>HK\$'000</i>	31st March, 2011 <i>HK\$'000</i>
Current	3,499	383
1 to 3 months	78	199
4 to 6 months	—	—
Over 6 months	<u>34</u>	<u>1,021</u>
	<u>3,611</u>	<u>1,603</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.

MANAGEMENT DISCUSSION AND ANALYSIS

Group results

The Group recorded a turnover of HK\$64.9 million in the Review Period, representing an decrease of 48% compared to the corresponding previous period. Gross profit margin increased from 13.4% in the corresponding previous period to 22.7% in the Review Period. Net profit attributable to the equity holders of the Company was approximately HK\$1,183,000, representing an increase of approximately 363% from the corresponding previous period.

Business overview

Export business

In the Review Period, the Original Equipment Manufacturer (“OEM”) business became less appealing due to competition for orders, increase in costs and lower margins in general. Proactively, the Group strived to grow its Original Design Manufacturer (“ODM”) business by providing its customers with more value added services including product design, fabric development and procurement, and products that require special production process and excellent workmanship. The move was well received by customers and ODM business volume surpassed OEM business in the Review Period. Total turnover in the Review Period decreased by 48.6% to HK\$63.5 million compared with the corresponding previous period. On the other hand, gross profit margin increased from approximately 12.4% in the corresponding previous period to approximately 20.9% in the Review Period. The improvement was due to the growth of ODM business which carried higher margin and tight control on raw material procurement and sub-contracting costs. The Group’s selling and administration expenses decreased as a result of stringent control on such costs.

Property investment

The Group continued to lease its investment properties in Hong Kong and China and recorded rental income of HK\$1.45 million compared to HK\$1.46 million in the corresponding previous period. A workshop unit in Hong Kong previously leased out was occupied by the Group after its lease expired in May 2011. As at the end of the review period, all investment properties were fully let out.

Prospects

With the economic uncertainty in the major export markets, the Group will put more resources in expanding its ODM business which offers reasonable margins and also provide value for money procurement services to its OEM customers. Following the success of the ODM business in the Review Period, the 2012 fall winter collection was presented to customers with encouraging feedback. The Group is optimistic that the order book for 2012 will show marked increase. 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 inflow from operations amounted to approximately HK\$4.1 million for the Review Period (2010: outflow HK\$2.3 million).

As at 30th September, 2011, the Group's net borrowings comprised bank loans and obligations under finance leases, the aggregate amount of which was approximately HK\$56.4 million (as at 31st March, 2011: HK\$51.9 million). Among the total outstanding amounts of bank loans and obligations under finance leases as at 30th September, 2011, 73% (as at 31st March, 2011: 55%) are repayable within one year, 6% (as at 31st March, 2011: 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 0.45 as at 30th September, 2011 compared to 0.37 as at 31st March, 2011. The Group's gearing ratio as at 30th September, 2011 was 0.54 (as at 31st March, 2011: 0.52) which is calculated based on the Group's total liabilities of HK\$64.9 million (as at 31st March, 2011: HK\$59.7 million) and the Group's total assets of HK\$120.6 million (as at 31st March, 2011: HK\$114.2 million). As at 30th September, 2011, the Group's total cash and bank balances amounted to HK\$22 million compared to HK\$14.1 million as at 31st March, 2011.

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, 2011, 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\$90 million (as at 31st March, 2011: HK\$90.3 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, 2011, the facilities utilised amounted to HK\$56.4 million (as at 31st March, 2011: HK\$53.9 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 2011 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 appealed to the Zhejiang Provincial High Court of Appeal in May 2010. In May 2011, the subsidiary settled the case with the sub-contractor by the lump sum payment of US\$128,000 to the sub-contractor. Payment was effected on 30th May, 2011 and the amount was fully provided for in the year ended 31st March, 2011.

Except for the foregoing, as at 30th September, 2011, the Group had no other significant contingent liabilities or pending litigation.

Employees

As at 30th September, 2011, the Group had a total of 34 employees, as compared to 40 employees as at 31st March, 2011. Staff costs including directors' remuneration were approximately HK\$7.2 million and HK\$8 million for the Review Period and the six months ended 30th September, 2010 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.

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.

Publication of interim results and interim report

This announcement is published on the HKEx website (<http://www.hkex.com.hk>) and the Company’s website (<http://www.takson.com>). The 2011-12 interim 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, 21st November, 2011

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.