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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, 2014**

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, 2014 (the “Review Period”), together with the comparatives. The condensed consolidated interim financial information has been reviewed by the Company’s audit committee, but has 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, 2014

		Unaudited Six months ended 30th September, 2014		2013
	Note	HK\$'000		HK\$'000
Turnover	3	235,297		168,643
Cost of sales		<u>(193,683)</u>		<u>(130,508)</u>
Gross profit		41,614		38,135
Other income		294		190
Selling, distribution and marketing expenses		(9,794)		(6,505)
Administrative expenses		<u>(13,147)</u>		<u>(10,916)</u>
Operating profit		18,967		20,904
Finance costs	4	<u>(1,848)</u>		<u>(1,976)</u>
Profit before taxation	5	17,119		18,928
Income tax	6	<u>—</u>		<u>—</u>
Profit for the period		<u>17,119</u>		<u>18,928</u>
Total comprehensive income for the period		<u>17,119</u>		<u>18,928</u>
Profit for the period attributable to:				
Equity holders of the Company		<u>17,119</u>		<u>18,928</u>
Total comprehensive income attributable to:				
Equity holders of the Company		<u>17,119</u>		<u>18,928</u>
Earnings per share attributable to the equity holders of the Company during the period				
— basic (HK cents)	7	<u>2.21</u>		<u>2.44</u>
— diluted (HK cents)	7	<u>2.21</u>		<u>2.41</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September, 2014

		Unaudited 30th September, 2014 <i>HK\$'000</i>	Audited 31st March, 2014 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		9,363	9,436
Leasehold land		16,207	16,452
Investment properties		80,422	80,422
Deferred tax assets		690	690
		<u>106,682</u>	<u>107,000</u>
Current assets			
Inventories		6,314	1,409
Trade and bills receivables	9	34,246	—
Deposits, prepayments and other receivables		8,169	31,069
Bank deposit (pledged)		4,500	—
Cash at bank and in hand		33,818	15,567
		<u>87,047</u>	<u>48,045</u>
Total assets		<u>193,729</u>	<u>155,045</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		77,540	77,540
Reserves		2,395	(14,724)
Total equity		<u>79,935</u>	<u>62,816</u>

		Unaudited 30th September, 2014 <i>HK\$'000</i>	Audited 31st March, 2014 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Bank borrowings		932	1,236
Post employment benefits		263	263
		<u>1,195</u>	<u>1,499</u>
Current liabilities			
Trade and bills payables	10	20,431	704
Other payables and accrued charges		2,202	1,988
Bank borrowings		89,966	88,038
		<u>112,599</u>	<u>90,730</u>
Total liabilities		<u>113,794</u>	<u>92,229</u>
Total equity and liabilities		<u>193,729</u>	<u>155,045</u>
Net current liabilities		<u>(25,552)</u>	<u>(42,685)</u>
Total assets less current liabilities		<u>81,130</u>	<u>64,315</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 of Hong Kong Limited (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, 2014.

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.

Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting financial instruments, assets and liabilities
Amendments to HKFRSs 10, 12 and HKAS 27 (2011)	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements – Investment entities
Amendments to HKAS 36	Impairment of Assets – Recoverable amount disclosures for non-financial assets
HK(IFRIC) 21	Levies
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Novation of derivatives and continuation of hedge accounting

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, 2014 HK\$'000			
	Export business	Property investment	Total
Turnover	<u>233,708</u>	<u>1,589</u>	<u>235,297</u>
Segment operating profit/(loss)	<u>24,311</u>	<u>(4,000)</u>	20,311
Unallocated corporate expenses			<u>(1,344)</u>
Operating profit			18,967
Finance costs	<u>(1,775)</u>	<u>(73)</u>	<u>(1,848)</u>
Profit before taxation			17,119
Income tax			<u>—</u>
Profit for the period			<u>17,119</u>

Six months ended 30th September, 2013 HK\$'000			
	Export business	Property investment	Total
Turnover	<u>166,880</u>	<u>1,763</u>	<u>168,643</u>
Segment operating profit/(loss)	<u>25,374</u>	<u>(3,164)</u>	22,210
Unallocated corporate expenses			<u>(1,306)</u>
Operating profit			20,904
Finance costs	<u>(1,903)</u>	<u>(73)</u>	<u>(1,976)</u>
Profit before taxation			18,928
Income tax			<u>—</u>
Profit for the period			<u>18,928</u>

By geographical segments:

	Turnover	
	Six months ended	
	30th September,	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
United States of America	227,894	164,932
Canada	5,814	1,709
Others	1,589	2,002
	<u>235,297</u>	<u>168,643</u>

4. Finance costs

	Export business		Property investment		Total	
	Six months ended		Six months ended		Six months ended	
	30th September,		30th September,		30th September,	
	2014	2013	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	1,752	1,865	73	73	1,825	1,938
Interest element of finance lease obligations	23	38	—	—	23	38
	<u>1,775</u>	<u>1,903</u>	<u>73</u>	<u>73</u>	<u>1,848</u>	<u>1,976</u>

5. Profit before taxation

Profit before taxation 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,	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting						
Interest income	294	126	—	—	294	126
Rental income	<u>—</u>	<u>—</u>	<u>1,589</u>	<u>1,763</u>	<u>1,589</u>	<u>1,763</u>
Charging						
Cost of inventories sold	193,683	130,508	—	—	193,683	130,508
Amortisation of leasehold land	—	—	246	246	246	246
Depreciation						
Owned property, plant and equipment	184	80	132	150	316	230
Leased property, plant and equipment	182	292	—	—	182	292
Operating lease rentals in respect of land and buildings	1,035	807	—	—	1,035	807
Staff costs, including directors' emoluments	<u>5,875</u>	<u>4,719</u>	<u>5,015</u>	<u>4,105</u>	<u>10,890</u>	<u>8,824</u>

6. Income tax

No provision for Hong Kong profits tax has been made as the Group had available tax losses brought forward to offset the assessable profits generated during the period (2013: HK\$ Nil).

7. Earnings per share

Basic earnings 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.

Diluted earnings per share is calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on conversion of dilutive potential ordinary shares.

	Six months ended 30th September, 2014		2013 (Restated)
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>17,119</u>	<u>18,928</u>	
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share (<i>thousands</i>)	<u>775,406</u>	<u>774,511</u>	
Effect of dilutive potential ordinary shares: Share options exercised and lapsed during the period (<i>thousands</i>)	<u>—</u>	<u>9,884</u>	
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share (<i>thousands</i>)	<u>775,406</u>	<u>784,395</u>	
Basic earnings per share (<i>HK cents</i>)	<u>2.21</u>	<u>2.44</u>	
Diluted earnings per share (<i>HK cents</i>)	<u>2.21</u>	<u>2.41</u>	

In the note of earnings per share in the interim report for the period ended 30th September, 2013, it stated that no diluted earnings per share was presented as outstanding share options were anti-dilutive. There should be no anti-dilutive for the period ended 30th September, 2013. The disclosure is corrected in current period and comparative figure is restated.

8. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2014 (2013: HK\$ Nil).

9. Trade and bills receivables

At 30th September, 2014, the ageing analysis of trade and bills receivables is as follows:

	30th September, 2014 <i>HK\$'000</i>	31st March, 2014 <i>HK\$'000</i>
0 – 30 days	<u>34,246</u>	<u>—</u>

All trade and bills receivables are denominated in US dollars.

Majority of the Group's export sales are generally on open account of 15 days and letter of credit at sight. The Group considers that the trade and bills receivables as at 30th September, 2014 is fully recoverable and believes that no impairment allowance is necessary.

10. Trade and bills payables

At 30th September, 2014, the ageing analysis of trade and bills payables is as follows:

	30th September, 2014 HK\$'000	31st March, 2014 HK\$'000
0 – 30 days	17,825	704
1 to 3 months	2,185	—
Over 3 months	421	—
	<u>20,431</u>	<u>704</u>

All trade and bills 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\$235.3 million in the Review Period, representing an increase of 39.5% compared to the corresponding previous period. Gross profit margin decreased from 22.6% in the corresponding previous period to 17.7% in the Review Period. Net profit attributable to the equity holders of the Company was approximately HK\$17.1 million, representing an decrease of approximately 9.6% from the corresponding previous period.

Business overview

Export business

In the Review Period, the Group continued to focus its effort in Original Design Manufacturer (“ODM”) business and saw a steady growth of such orders from its existing and new customers. Total turnover in the Review Period increased by 40.0% to HK\$233.7 million compared with the corresponding previous period. Gross profit margin decreased from approximately 21.8% in the corresponding previous period to approximately 17.1% in the Review Period. The decrease was due to acceptance of seasonal promotion programmes from the Group’s core customer which carried lower margins. Sub-contracting charges also increased as the garment deliveries were more concentrated over a shorter period. Selling, distribution and marketing expenses increased by 50.6% to HK\$9.8 million due to heavy investment in product development and increase in carriage cost of fabric and accessories to sub-contractors. Administrative expenses increased by 20.4% mainly due to increase in payroll cost for more managerial grade staff to handle new product lines and new customer orders, and bonus payment to retain staff of all grades. Finance costs decreased by 6.5% due to negotiation of better terms with the Group’s main bank.

Property investment

The Group continued to lease its investment properties in Hong Kong and China and recorded rental income of HK\$1.6 million compared to HK\$1.8 million in the corresponding previous period. The decrease in rental income was due to the granting of rent free period to a new tenant of office units in China during the Review Period. As at the end of the Review Period, all investment properties were fully let out.

Prospects

With the success of its ODM business, 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 (Original Equipment Manufacturer) customers. Besides the ODM business, the Group will increase its investment in OBM (Own Brand & Manufacturing) business if the market feedback is positive. Over the last few years, the Group has been trying to develop more product lines for selling in spring/summer season to reduce its reliance in fall/winter season. Such effort is not yet fruitful, hence orders for delivery in the second half year will be significantly less than the first half year. With the gradual recovery of the US economy, the Group will continue to solicit more orders from its existing and new customers. The Group's success in creating high customer satisfaction with quality goods and one-stop buying over the last few years would enable it to meet the challenges ahead and to further expand its business base and volume. 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\$23.3 million for the Review Period (2013: HK\$38.0 million).

As at 30th September, 2014, the Group's net borrowings comprised bank loans and obligations under finance leases, the aggregate amount of which was approximately HK\$90.9 million (as at 31st March, 2014: HK\$89.3 million). Among the total outstanding amounts of bank loans and obligations under finance leases as at 30th September, 2014, 83% (as at 31st March, 2014: 81%) are repayable within one year, 3% (as at 31st March, 2014: 3%) 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 0.77 as at 30th September, 2014 compared to 0.53 as at 31st March, 2014. The Group's gearing ratio as at 30th September, 2014 was 0.59 (as at 31st March, 2014: 0.59) which is calculated based on the Group's total liabilities of HK\$113.8 million (as at 31st March, 2014: HK\$92.2 million) and the Group's total assets of HK\$193.7

million (as at 31st March, 2014: HK\$155.0 million). As at 30th September, 2014, the Group's total cash and bank balances and pledged bank deposit amounted to HK\$38.3 million compared to the total cash and bank balance of HK\$15.6 million as at 31st March, 2014.

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 entered into a two year USD/RMB derivative foreign exchange contract at US\$1 million nominal amount in March 2014 to manage its foreign currency risk.

Charge of assets

As at 30th September, 2014, 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\$101.6 million (as at 31st March, 2014: HK\$101.9 million) were pledged as first legal charge for the Group's banking facilities.

Contingent liabilities and litigation

The Company has executed corporate guarantees with respect to banking facilities made available to its subsidiaries. As at 30th September, 2014, the facilities utilised amounted to HK\$90.9 million (as at 31st March, 2014: HK\$89.3 million). The Group entered into a derivative foreign contract and would incur losses if exchange rate of RMB fell below 6.282 against US\$1 on each of the 17 expiration dates, the maximum exposure is US\$2 million times the USD/RMB spot rate on each expiration date less RMB12.6 million.

Except for the foregoing, as at 30th September, 2014, the Group had no other significant contingent liabilities or pending litigation.

Employees

As at 30th September, 2014, the Group had a total of 47 employees, as compared to 44 employees as at 31st March, 2014. Staff costs including directors' remuneration were approximately HK\$10.9 million and HK\$8.8 million for the Review Period and the six months ended 30th September, 2013 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 of Hong Kong Limited (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 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 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 2014-15 interim report containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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, 26th November, 2014

As at the date of this announcement, 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.