# TAKSON HOLDINGS LIMITED

*(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, 2016

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, 2016 (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.

*For identification purpose only*

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30th September, 2016*

| | | | |
|---|---|---|---|
| | | **Unaudited** | |
| | | **Six months ended** | |
| | | **30th September,** | |
| | | **2016** | 2015 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Turnover | *3* | **107,327** | 149,548 |
| Cost of sales | | **(80,624)** | (113,405) |
| Gross profit | | **26,703** | 36,143 |
| Other income | | **136** | 708 |
| Selling, distribution and marketing expenses | | **(6,292)** | (8,466) |
| Administrative expenses | | **(15,715)** | (15,686) |
| Net loss on foreign currency forward contract | | **(1,071)** | (649) |
| Operating profit | | **3,761** | 12,050 |
| Finance costs | *4* | **(1,588)** | (1,515) |
| Profit before taxation | *5* | **2,173** | 10,535 |
| Income tax | *6* | **—** | — |
| Profit for the period | | **2,173** | 10,535 |
| **Total comprehensive income for the period** | | **2,173** | 10,535 |
| **Profit for the period attributable to:** | | | |
| Equity holders of the Company | | **2,173** | 10,535 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | **2,173** | 10,535 |
| **Earnings per share attributable to the equity holders of the Company during the period** | | | |
| — basic (HK cents) | *7* | **0.28** | 1.36 |
| — diluted (HK cents) | *7* | **0.28** | 1.36 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30th September, 2016*

| | Note | Unaudited 30th September, 2016 HK$'000 | Audited 31st March, 2016 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **11,131** | 11,452 |
| Leasehold land | | **15,222** | 15,467 |
| Investment properties | | **78,790** | 78,790 |
| Deferred tax assets | | **3,107** | 3,107 |
| | | **108,250** | 108,816 |
| **Current assets** | | | |
| Inventories | | **197** | 1,260 |
| Trade receivables | *9* | **1,629** | 759 |
| Deposits, prepayments and other receivables | | **7,169** | 25,101 |
| Pladged bank deposit | | **4,510** | 4,509 |
| Cash and cash equivalents | | **9,963** | 8,009 |
| | | **23,468** | 39,638 |
| **Total assets** | | **131,718** | 148,454 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | | **77,540** | 77,540 |
| Reserves | | **(35,447)** | (37,620) |
| **Total equity** | | **42,093** | 39,920 |

| | Note | Unaudited 30th September, 2016 HK$'000 | Audited 31st March, 2016 HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Obligations under finance leases | | **434** | 614 |
| Deferred tax liabilities | | **4,780** | 4,780 |
| | | **5,214** | 5,394 |
| **Current liabilities** | | | |
| Trade payables | *10* | **1,591** | 2,407 |
| Other payables and accrued charges | | **2,090** | 5,070 |
| Derivative financial liability | | **—** | 4,499 |
| Bank borrowings and obligations under finance leases | | **80,730** | 91,164 |
| | | **84,411** | 103,140 |
| **Total liabilities** | | **89,625** | 108,534 |
| **Total equity and liabilities** | | **131,718** | 148,454 |
| **Net current liabilities** | | **(60,943)** | (63,502) |
| **Total assets less current liabilities** | | **47,307** | 45,314 |

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 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

### 2. Accounting policies

The accounting policies and method of the computation used in the preparation of the interim financial information are consistent with those used in the annual report for the year ended 31st March, 2016. The Group has adopted new or revised standards, amendments to standards and interpretation of Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for accounting period commencing on or after 1st April, 2016. The adoption of such new or revised standards, amendments to standards and interpretation does not have material impact on the interim financial information and does not result in substantial changes to the Group's accounting policies. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The directors anticipate that the application of these new standards, amendments and interpretations will have no material impact on the unaudited condensed consolidated financial statements.

### 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, 2016** *HK$'000* | | |
|---|---|---|---|
| | **Export business** | **Property investment** | **Total** |
| Turnover | **105,580** | **1,747** | **107,327** |
| Segment operating profit/(loss) | **13,714** | **(5,643)** | **8,071** |
| Unallocated corporate expenses | | | **(4,310)** |
| Operating profit | | | **3,761** |
| Finance costs | **(1,514)** | **(74)** | **(1,588)** |
| Profit before taxation | | | **2,173** |
| Income tax | | | **—** |
| Profit for the period | | | **2,173** |

| | Six months ended 30th September, 2015 *HK$'000* | | |
|---|---|---|---|
| | Export business | Property investment | Total |
| Turnover | 148,220 | 1,328 | 149,548 |
| Segment operating profit/(loss) | 21,280 | (5,831) | 15,449 |
| Unallocated corporate expenses | | | (3,399) |
| Operating profit | | | 12,050 |
| Finance costs | **(1,442)** | **(73)** | (1,515) |
| Profit before taxation | | | 10,535 |
| Income tax | | | — |
| Profit for the period | | | 10,535 |

**By geographical segments:**

| | **Turnover Six months ended 30th September,** | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| United States of America | **105,580** | 143,701 |
| Canada | **—** | 4,519 |
| Others | **1,747** | 1,328 |
| | **107,327** | 149,548 |

## 4. Finance costs

| | Export business Six months ended 30th September, | | Property investment Six months ended 30th September, | | Total Six months ended 30th September, | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Interest on bank loans | **1,497** | 1,427 | **74** | 73 | **1,571** | 1,500 |
| Interest element of finance lease obligations | **17** | 15 | **—** | — | **17** | 15 |
| | **1,514** | 1,442 | **74** | 73 | **1,588** | 1,515 |

## 5. Profit before taxation

Profit before taxation is stated after crediting and charging the following:

| | Export business Six months ended 30th September, | | Property investment Six months ended 30th September, | | Total Six months ended 30th September, | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Crediting** | | | | | | |
| Interest income | **13** | 152 | **—** | — | **13** | 152 |
| Rental income | **—** | — | **1,747** | 1,328 | **1,747** | 1,328 |
| **Charging** | | | | | | |
| Cost of inventories sold | **80,624** | 113,405 | **—** | — | **80,624** | 113,405 |
| Amortisation of leasehold land | **—** | — | **246** | 245 | **246** | 245 |
| Depreciation | **294** | 321 | **197** | 124 | **491** | 445 |
| Operating lease rentals in respect of land and buildings | **1,145** | 1,165 | **—** | — | **1,145** | 1,165 |
| Staff costs, including directors' emoluments | **5,815** | 7,407 | **6,718** | 6,587 | **12,533** | 13,994 |

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 (2015: 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.

| | **2016** | 2015 |
|---|---|---|
| Profit attributable to the equity holders of the Company *(HK$'000)* | **2,173** | 10,535 |
| Weighted average number of ordinary shares in issue *(thousands)* | **775,406** | 775,406 |
| Basic earnings per share *(HK cents per share)* | **0.28** | 1.36 |
| Diluted earnings per share *(HK cents per share)* | **0.28** | 1.36 |

8. **Interim dividend**

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2016 (2015: HK$ NIL).

9. **Trade receivables**

At 30th September, 2016, the ageing analysis of trade receivables is as follows:

| | **30th September, 2016** ***HK$'000*** | 31st March, 2016 *HK$'000* |
|---|---|---|
| 0 – 30 days | **1,587** | — |
| 1 to 2 months | **—** | — |
| Over 3 months | **42** | 759 |
| | **1,629** | 759 |

All trade receivable were denominated in US dollars.

Majority of the Group's export sales are generally on open account of 15 days and letter of credit at sight. The Group considers that the trade receivables as at 30th September, 2016 is fully recoverable and believes that no impairment allowance is necessary.

## 10. Trade payables

At 30th September, 2016, the ageing analysis of trade payables is as follows:

| | **30th September, 2016** *HK$'000* | 31st March, 2016 *HK$'000* |
|---|---|---|
| 0 – 30 days | **1,444** | 2,289 |
| 1 to 3 months | **29** | — |
| 4 to 6 months | **—** | — |
| Over 6 months | **118** | 118 |
| | **1,591** | 2,407 |

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$107.3 million in the Review Period, representing a decrease of 28.3% compared to the corresponding previous period. Gross profit margin increased from 24.2% in the corresponding previous period to 24.9% in the Review Period. Net profit attributable to the equity holders of the Company was approximately HK$2.2 million, representing a decrease of approximately 79.4% from the corresponding previous period.

## Business overview

### Export business

In the Review Period, the Group continued to focus on Original Design Manufacturer business with higher value added. Total turnover in the Review Period decreased by 28.8% to HK$105.6 million compared with the corresponding previous period due to warmer weather in the USA in the fall of 2015 resulting in the Group's US customers carrying higher inventory and therefore less orders have been placed with the Group in the Review Period. Gross profit margin increased slightly from approximately 23.5% in the corresponding previous period to approximately 23.6% in the Review Period. Selling, distribution and marketing expenses decreased by 25.7% to HK$6.3 million due to less spending in product development and business trips taken. Administrative expenses increased by 0.2% mainly due to consultancy fee paid to explore other business opportunities and the renovation of directors' new quarter while other general administrative expenses decreased in line with business volume. Finance cost increased by 4.8% due to higher utilization of bank loans to finance the Group's operations.

**Property investment**

The Group continued to lease its investment properties in Hong Kong and China and recorded rental income of HK$1.75 million compared to HK$1.33 million in the corresponding previous period. The increase in rental income was due to the revision of rental arisng from new lease in Hong Kong during the Review Period. As at the end of the Review Period, all investment properties were fully let out.

**Prospects**

With the dwindling of its export business in the last two years, the Board has been looking for other business opportunities in China and the USA to diversify the Group's earning base and such study has yet to be formulated into a business plan. Following the disposal of the controlling shareholdings in the Company by Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita, Executive Directors of the Company, in September 2016, the Board continued to carry on the existing businesses of the Group pending the appointment of a new Board which would take place after the close of the unconditional mandatory cash offer on 21st November, 2016. It is expected that the new Board, which comprises of experienced professionals with diversified background and strong business acumen, will assume office with effect from 22nd November, 2016. Further details of the new Board will be disclosed in a separate announcement of the Company later today. The new Board will draw the road map for the Group and communicate it with the shareholders and the investing public in due course.

**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$19.9 million for the Review Period (2015: HK$36.4 million).

As at 30th September, 2016, the Group's net borrowings comprised bank loans and obligations under finance leases, the aggregate amount of which was approximately HK$81.2 million (as at 31st March, 2016: HK$91.8 million). Among the total outstanding amounts of bank loans and obligations under finance leases as at 30th September, 2016, 87 % (as at 31st March, 2016: 87%) are repayable within one year, 3% (as at 31st March, 2016: 3%) are repayable in the second year and the remaining 10% (as at 31st March, 2016: 10%) 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 0.28 as at 30th September, 2016 compared to 0.38 as at 31st March, 2016. The Group's gearing ratio as at 30th September, 2016 was 0.68 (as at 31st March, 2016: 0.73) which is calculated based on the Group's total liabilities of HK$ 89.6 million (as at 31st March, 2016: HK$108.5 million) and the Group's total assets of HK$131.7

million (as at 31st March, 2016: HK$148.5 million). As at 30th September, 2016, the Group's total cash and bank balances amounted to HK$10.0 million compared to HK$8.0 million as at 31st March, 2016.

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.

**Charge of assets**

As at 30th September, 2016, 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$100.8 million (as at 31st March, 2016: HK$101.5 million) and a fixed deposit of HK$4.5 million (as at 31st March, 2016: HK$4.5 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, 2016, the facilities utilised amounted to HK$81.2 million (as at 31st March, 2016: HK$91.8 million).

Except for the foregoing, as at 30th September, 2016, the Group had no other significant contingent liabilities or pending litigation.

**Employees**

As at 30th September, 2016, the Group had a total of 42 employees, as compared to 45 employees as at 31st March, 2016. Staff costs including directors' remuneration were approximately HK$12.5 million and HK$14.0 million for the Review Period and the six months ended 30th September, 2015 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 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 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 (the "Model Code"), 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 Dr. Manoj Kumar Motwani, 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 2016-17 interim report containing all the information required by the Listing Rules 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, 22nd November, 2016

*As at the date of this announcement, the Board comprises two executive directors, namely Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita; three independent non-executive directors, namely Mr. Cunningham James Patrick, Mr. Wong Kwok Tai and Dr. Motwani, Manoj Kumar and two non-executive directors, namely Mr. Wong Tak Yuen and Ms. Pang She Kwok, Szwina.*