



## Takson Holdings Limited

### Interim Report

For the six months ended 30th September, 1999

#### UNAUDITED INTERIM RESULTS

The Board of Directors announces the Group's unaudited consolidated profit attributable to shareholders for the six months ended 30th September, 1999, amounted to HK\$59,525,000. The following is the unaudited consolidated profit and loss account:

	Notes	Six months ended 30th September,	
		1999 HK\$ '000	1998 HK\$ '000
Turnover		356,150	293,821
Profit before taxation		67,876	53,195
Taxation	(1)	8,351	6,775
Profit attributable to shareholders		59,525	46,420
Dividends		3,600	28,800
Profits for the period retained		55,925	17,620
Basic earnings per share	(2)	16.53 cents	12.89 cents
Diluted earnings per share	(2)	15.57 cents	12.89 cents

#### Notes:

##### (1) Taxation

Hong Kong profits tax has been provided at 16% (1998: 16%) on the estimated assessable profit for the period. No overseas taxation has been provided as there is no assessable profit for the period (1998: nil).

##### (2) Earnings per share

The basic and diluted earnings per share is calculated based on the unaudited consolidated profit attributable to shareholders for the six months ended 30th September, 1999 of HK\$59,525,000 (1998: HK\$46,420,000).

The basic earnings per share is based on the weighted average of 360,000,000 shares (1998: 360,000,000 shares) in issue during the whole period. The diluted earnings per share is based on 360,000,000 shares (1998: 360,000,000 shares) which is the weighted average number of shares in

issue during the period plus the weighted average of 22,271,679 shares (1998: Nil shares) deemed to be issued at no consideration if all outstanding options had been exercised.

## **INTERIM DIVIDEND**

The Directors have resolved to pay an interim dividend for the six months ended 30th September, 1999 of HK\$0.01 (1998: HK\$0.08) per share to shareholders whose names appear on the Register of Members of the Company on 2nd December, 1999. Dividend warrants will be sent to shareholders on or about 10th December, 1999.

## **REVIEW**

For the six months ended 30th September, 1999, the Group's unaudited turnover is HK\$356,150,000 and profit attributable to shareholders is HK\$59,525,000 representing an increase of 21.2% and 28.2% over the same period of the previous year, respectively.

During the period under review, the Group achieved a turnover which is comparable to that of the whole of last year. As already forecast in our last annual report, sales orders for the year ending 31st March, 2000 will well exceed that of the preceding year, benefiting from the buoyant overseas markets and a more balanced sales mix between fall/winter and spring shipments.

Increased turnover, however, did not put the Group's gross profit margin under any downward pressure, which was comfortably maintained at almost the same level as last year. Credits should be given to the Group's proven marketing strategy coupled with its tight control over raw materials sourcing and export quotas.

The US market continued to play a dominant role in the Group's performance and contributed more than 80% of the Group's total turnover in the period.

As in the past, the Group continued to sustain good liquidity position without any long term debt funding.

The Board has decided to pay an interim dividend of HK\$0.01 per share versus HK\$0.08 per share in the previous year. This adjustment in dividends/earnings ratio is to cope with the Company's policy of maintaining a strong balance sheet and facilitate the strategy of strengthening its earning bases. The continuing steady growth in the Company's core business provides an edge for the management to consider prospective investment opportunities, strengthen its business as a conglomerate and further enhance the shareholders' value in the medium to long term. The establishment of a technology-related joint venture company in Beijing, China announced recently, in the second half of the year is an initial step towards this end.

## **PROSPECTS**

### **Outerwear garment business**

As indicated in the Group's last annual report, the Group forecasted sales order for the year ending 31st March, 2000 to be 3.8 million pieces versus the preceding year's 1.9 million pieces. To-date, sales orders received have already exceeded the forecast quantity. Having completed shipment of 2.5 million pieces of garment for the period, the Group expects to ship on schedule at least another 1.3 million pieces for the rest of the year.

Supported by the encouraging retail sales feedback and order projections from its customers, the Group is optimistic in seeing reasonable growth in its garment export business for the year ending 31st March, 2001.

As in the past, the Group is diverting a significant portion of its effort to promote marketability of its down products. A good example is the development of a new line of down products which are highly portable and compact when packed but sufficiently warm for average winter weather conditions. We expect their popularity will have been well proven by the end of 2000.

Looking ahead, the Group expects the European and US economies to maintain a steady growth and to benefit itself as it strides into the new millennium.

### Establishment of a new joint venture

On 12th October, 1999, Takson Technology Limited ("TTL"), a wholly-owned subsidiary of the Company entered into a joint venture agreement with Beijing National Library of China Digitisation Technology Co., Ltd. (北京國圖數字技術有限公司), a wholly-owned subsidiary of the National Library of China (中國國家圖書館) ("NLC"), to establish a 50:50 Sino-foreign equity joint venture enterprise in Beijing, China ("JV Co"). The board of the joint venture will consist of five directors, three of whom will be appointed by TTL.

The principal purpose of the joint venture is to develop the technology of digitisation of books and documents, to apply such technology to digitise the collection of the National Library of China and to provide consultation and other services relating to digitised information. Based on an overall assessment of the existing framework established by the NLC in relation to the business to be carried on by JV Co and the general nature of the business to be carried on by JV Co and at the same time taking into account the level of participation that TTL will have in the management of JV Co, the Directors believe that investment in JV Co is in the interests of the Company and shareholders as a whole, and expect that satisfactory return will be provided to the Company in the medium to long run.

### E-commerce

With over 20 years of sourcing experience and close working relationships with worldwide customers and suppliers, the Group reported in its last annual report that it will invest in and develop its own business-to-business sourcing website, namely *takson.com*, targeting at the import-export industry worldwide. The website is expected to be fully operational by the end of 2000.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th September, 1999, except that the appointment of non-executive directors of the Company are not for specific terms.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

### DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 23rd September, 1997, a share option scheme was approved by the shareholders of the Company under which its directors may, at their discretion, invite executive directors and employees of the Company and its subsidiaries to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. During the period, options granted for the Company's directors were as follows:

Name of Director	Number of ordinary shares granted under the option	Date of grant	Subscription price per option share	Outstanding number of option shares as at 30th September, 1999
Wong Tek Sun, Takson	9,000,000	15th April, 1998	HK\$0.30	9,000,000

Pang Shu Yuk, Adeline Rita	9,000,000	15th April, 1998	HK\$0.30	9,000,000
Lian Cheng Chi	9,000,000	15th April, 1998	HK\$0.30	9,000,000
Cheung Man Ki	8,650,000	15th April, 1998	HK\$0.30	8,650,000

The share options are exercisable from 15th October, 1998 up to 14th October, 2000.

Apart from the aforesaid, at no time during the period was the Company, its holding companies, or its subsidiaries a party to any arrangement to enable the directors and chief executives of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

#### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS**

As at 30th September, 1999, the interests of directors, chief executives and their associates of the Company in the shares of the Company or any associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") and other interests of directors in the Company were as follows:

Name of director	Number of ordinary shares beneficially held					Total interests	Number of shares over which option have been granted which remain outstanding
	Personal interests	Family interests	Corporate interests	Other interests			
Wong Tek Sun, Takson	-	-	237,600,000 (Note 1)	237,600,000 (Note 1)	237,600,000	9,000,000 (Note 2)	
Pang Shu Yuk, Adeline Rita	-	237,600,000 (Note 1)	-	237,600,000 (Note 1)	237,600,000	9,000,000 (Note 2)	
Lian Cheng Chi	-	-	-	-	-	9,000,000	
Cheung Man Ki	-	-	-	-	-	8,650,000	

#### **Notes:**

1. The four references to 237,600,000 shares relate to the same block of shares in the Company. Such shares are held by Takson International Holdings Limited, the entire issued share capital of which are held by Wangkin Investments Inc. ("WII") as trustee of the Wangkin Investments Unit Trust (the "Unit Trust"). All issued and outstanding units in the Unit Trust are beneficially held by Guardian Trustee Limited as trustee of the Wang & Kin Family Trust (the "Family Trust"). The discretionary beneficiaries of the Family Trust are, inter alia, Ms Pang Shu Yuk, Adeline Rita, Mr Wong Chi Wang, Calvin, and Mr Wong Chi Kin, Christopher.

Mr Wong Tek Sun, Takson owns more than one-third of the issued share capital of WII and his children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, he is taken to be interested in the 237,600,000 shares in the Company under the SDI Ordinance. Ms Pang Shu Yuk, Adeline Rita, by virtue of her husband's interest in the Company is taken to be interested in the 237,600,000 shares in the Company under the SDI Ordinance.

Ms Pang Shu Yuk, Adeline Rita, by virtue of her and her children's interests in the share capital of the Company as, inter alia, discretionary beneficiaries of the Family Trust is deemed to be interested in the 237,600,000 shares in the Company under the SDI Ordinance.

2. Each of Mr Wong Tek Sun, Takson and Ms Pang Shu Yuk, Adeline Rita is granted 9,000,000 option shares in the Company. They are, by virtue of family interest, interested in each other's 9,000,000 option

shares in the Company.

Save as disclosed above, as at 30th September, 1999, none of the directors had any other interests in the shares of the Company or of any of its associated corporations (within the meaning of the SDI Ordinance) which had been entered in the register kept by the Company pursuant to Section 29 of the SDI Ordinance.

### **SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY**

Other than the interests disclosed above in respect of directors, chief executives and their associates, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance at 30th September, 1999 shows that the Company had been notified interest which represents 10% or more of the Company's issued share capital by WII and Takson International Holdings Limited that each of them is taken to have an interest under the SDI Ordinance in the same 237,600,000 shares of the Company as described in Note 1 above.

Save as disclosed above, no person was recorded in the register as having an interest in 10% or more of the issued share capital of the Company as at 30th September, 1999.

### **YEAR 2000 COMPLIANCE**

The Group defines Year 2000 compliance as the status whereby neither performance nor functionality of our financial and operational systems are affected by dates prior to, during and after the year 2000. If Year 2000 compliance is not achieved on time, the Group's computers may not be able to recognise the turn of the century, which may result in erroneous processing and recording of data and information, exposing the Group and its business to potential disruption.

The Group fully understands the risks and uncertainties in association with the Year 2000 issue. In July 1996, the Group formed a Year 2000 Compliance Steering Committee which is led by an executive director and the manager of the Management Information System department with the support from Managers across the various departments to draw up mitigation plans to cover all material aspects of the Group's business operations. Our Committee reports and monitors the progress on the compliance of computer systems as well as all equipment with embedded processors.

The Group has completed the assessment of risks associated with the Year 2000 problem. All corrective measures to attain Year 2000 compliance on computer systems have been completed, tested, and implemented successfully. Similarly, all equipment that has embedded processors has been tested for compliance. The non-compliant ones have been either replaced or upgraded and the remaining has been verified to be fully Year 2000 compliant. A survey of the Year 2000 readiness of our major suppliers and customers has been conducted since January, 1998. None of them have reported potential incapability of their business systems to transit into Year 2000. In addition, a contingency plan has been set up in place for mission-critical systems to ensure business continuity in case of system failure due to Year 2000 non-compliance.

Costs which have been or are to be incurred on the compliance project are not considered to be significant to the Group.

### **AUDIT COMMITTEE**

The Stock Exchange recently revised the Code of Best Practice as set out in Appendix 14 of the Listing Rules to require listed companies to establish an audit committee with written terms of reference which deal clearly with its authority and duties. Amongst the committee's principal duties will be to review and supervise the Company's financial reporting process and internal controls. The Company has set up an Audit Committee and has formulated its written terms of reference in accordance with the requirements of the Stock Exchange.

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

The Register of Members of the Company will be closed on Thursday, 2nd December, 1999 during

which day no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrars in Hong Kong, Abacus Share Registrars Limited, at 2401 Prince's Building, Central, Hong Kong by not later than 4:00 p.m. on Wednesday, 1st December, 1999.

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

Hong Kong, 15th November, 1999