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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, 2009

The Board of Directors (the “Board”) of Takson Holdings Limited (the “Company”) presents the interim report and the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2009 (“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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended	
		30th September,	
		2009	2008
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Continuing operations			
Turnover	3	45,600	51,859
Cost of sales		(37,060)	(44,931)
		<hr/>	<hr/>
Gross profit		8,540	6,928
Other revenues		1,896	1,896
Selling, distribution and marketing expenses		(2,348)	(3,997)
Administrative expenses		(6,929)	(11,919)
		<hr/>	<hr/>
Operating profit/(loss)	4	1,159	(7,092)
Finance costs	5	(905)	(1,089)
		<hr/>	<hr/>
Profit/(loss) before taxation		254	(8,181)
Income tax expense	6	—	—
		<hr/>	<hr/>

		Unaudited	
		Six months ended	
		30th September,	
		2009	2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period from continuing operations		254	(8,181)
Discontinued operations			
Profit for the period from discontinued operations	7	—	20,517
		254	12,336
Other comprehensive loss			
Exchange differences on translating foreign operations		(189)	(3,526)
Total comprehensive income for the period		65	8,810
Profit for the period attributable to:			
Equity holders of the Company		254	12,336
Total comprehensive income attributable to:			
Equity holders of the Company		65	8,810
Profit/(loss) per share attributable to the equity holders of the Company during the period			
From continuing and discontinued operations			
— basic (HK cents)	8	0.04 cents	1.91 cents
From continuing operations			
— basic (HK cents)	8	0.04 cents	(1.26 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited	Audited
	30th	31st
	September,	March,
	2009	2009
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	6,985	7,140
Leasehold land and land use rights	10,323	10,459
Investment properties	51,544	51,544
	68,852	69,143
Current assets		
Inventories	502	348
Trade receivables	1,611	136
Deposits, prepayments and other receivables	1,437	3,524
Cash at bank and in hand	17,105	2,695
	20,655	6,703
	20,655	6,703
Total assets	89,507	75,846
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	72,240	71,740
Reserves	(43,760)	(43,825)
	28,480	27,915
Minority interests	(3)	(3)
Total equity	28,477	27,912
LIABILITIES		
Non-current liabilities		
Bank borrowings	8,642	9,207
Long-term liabilities	263	263
Deferred tax liabilities	3,788	3,788
Loans from a director	12,004	15,766
	24,697	29,024
	24,697	29,024

		Unaudited	Audited
		30th	31st
		September,	March,
		2009	2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade payables	<i>11</i>	3,750	3,219
Other payables and accrued charges		4,599	4,272
Taxation payable		1,000	1,000
Bank borrowings		26,984	10,419
		<u>36,333</u>	<u>18,910</u>
Total liabilities		<u>61,030</u>	<u>47,934</u>
Total equity and liabilities		<u>89,507</u>	<u>75,846</u>
Net current liabilities		<u>(15,678)</u>	<u>(12,207)</u>
Total assets less current liabilities		<u>53,174</u>	<u>56,936</u>

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, 2009.

In the current interim period, the Group has applied, for the first time, the following amendments and interpretations (“New HKFRSs”) issued by the HKICPA.

HKFRS 8 Operating Segments

HKFRS 8 requires segment information to be disclosed on the same basis as that used for internal reporting purposes. Under this requirement, for the period ended 30th September, 2009, the Group has only one business segment significant enough for disclosure.

HKAS 1 (revised 2007) Presentation of Financial Statements

The revised HKAS 1 introduces a number of changes to the presentation of the accounts, including a requirement for those exchange differences in translating foreign operations to be presented in a statement of comprehensive income.

The following amendments and interpretations issued by HKICPA which are or have become effective and did not have any material impact on the accounting policies of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments
HK(IFRIC) — INT 13	Customer Loyalty Programmes
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation

The following new standards and interpretations of HKFRS have been issued but are not effective for the financial year beginning 1st April, 2009 and have not been early adopted but are not expected to have any significant impact on the Group's financial information:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedge Items
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — INT 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) — INT 18	Transfers of Assets from Customers

3. Turnover and segment information

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

By business segments:

	Six months ended 30th September, 2009 <i>HK\$'000</i>		
	Export business (Continuing operations)	Licensee business (Discontinued operations)	Total
Turnover	<u>45,600</u>	<u>0</u>	<u>45,600</u>
Segment operating profit	<u>4,278</u>	<u>0</u>	4,278
Unallocated income			994
Unallocated corporate expenses			<u>(4,113)</u>
Operating profit			1,159
Finance costs	<u>(905)</u>	<u>0</u>	<u>(905)</u>
Profit before taxation			254
Taxation charge			<u>—</u>
Profit after taxation			<u>254</u>

Six months ended
30th September, 2008
HK\$'000

	Export business (Continuing operations)	Licensee business (Discontinued operations)	Total
Turnover	51,859	6,798	58,657
Segment operating profit	593	20,941	21,534
Interest income			4
Unallocated income			970
Unallocated corporate expenses			(8,659)
Operating profit			13,849
Finance costs	(1,089)	(388)	(1,477)
Profit before taxation			12,372
Taxation charge			(36)
Profit after taxation			12,336

By geographical segments:

	Turnover	
	Six months ended	
	30th September,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
United States of America	36,643	42,510
Europe	4,728	8,590
Canada	4,229	436
People's Republic of China (the "PRC")	—	6,798
Others	—	323
	<u>45,600</u>	<u>58,657</u>

4. Operating profit/(loss)

Operating profit/(loss) is stated after crediting and charging the following:

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Total	
	Six months ended 30th September,		Six months ended 30th September,		Six months ended 30th September,	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting						
Interest income	—	3	—	1	—	4
Rental income	1,307	1,494	—	—	1,307	1,494
Proceeds from termination of license	—	—	—	23,400	—	23,400
	<u>—</u>	<u>—</u>	<u>—</u>	<u>23,400</u>	<u>—</u>	<u>23,400</u>
Charging						
Cost of inventories sold	37,060	44,931	—	6,874	37,060	51,805
Amortisation of leasehold land use rights	136	121	—	—	136	121
Depreciation						
Owned property, plant and equipment	281	489	—	—	281	489
Leased property, plant and equipment	37	49	—	—	37	49
Net loss on disposal of property, plant and equipment	—	995	—	—	—	995
Operating lease rentals in respect of land and buildings	643	1,664	—	117	643	1,781
Staff costs, including directors' emoluments	4,650	8,116	—	1,404	4,650	9,520
	<u>4,650</u>	<u>8,116</u>	<u>—</u>	<u>1,404</u>	<u>4,650</u>	<u>9,520</u>

5. Finance costs

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Total	
	Six months ended 30th September, 2009		Six months ended 30th September, 2009		Six months ended 30th September, 2009	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans	562	673	—	388	562	1,061
Interest element of finance lease obligations	13	17	—	—	13	17
Other interest expense	330	399	—	—	330	399
	<u>905</u>	<u>1,089</u>	<u>—</u>	<u>388</u>	<u>905</u>	<u>1,477</u>

6. Income tax expense

The amount of taxation charged to the condensed consolidated statement of comprehensive income represents:

	Export business (Continuing operations)		Licensee business (Discontinued operations)		Total	
	Six months ended 30th September, 2009		Six months ended 30th September, 2009		Six months ended 30th September, 2009	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax						
Current tax	—	—	—	—	—	—
Overseas taxation						
Current tax	—	—	—	36	—	36
Taxation charge	<u>—</u>	<u>—</u>	<u>—</u>	<u>36</u>	<u>—</u>	<u>36</u>

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong during the period (2008: HK\$ NIL).
- (b) Overseas taxation in the previous period represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

7. Discontinued operations

An agreement was reached with the brand owner of Diadora trademark in early April 2008 for the early termination of the license. For the purpose of preparing the Group's financial information, the Licensee Business was classified as discontinued in accordance with HKFRS 5.

The sales and results of the discontinued operations for the six months ended 30th September were as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Discontinued operations		
Turnover	—	6,798
Cost of sales	—	(6,874)
Gross loss	—	(76)
Other income	—	23,416
Net operating expenses	—	(2,399)
Operating profit	—	20,941
Finance costs	—	(388)
Profit before taxation	—	20,553
Income tax expense	—	(36)
Profit for the period from discontinued operations	—	20,517

8. Profit/(loss) per share

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

	2009	2008
Profit attributable to the equity holders of the Company from continuing and discontinued operations (HK\$'000)	<u>254</u>	<u>12,336</u>
Profit/(loss) attributable to the equity holders of the Company from continuing operations (HK\$'000)	<u>254</u>	<u>(8,181)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>720,323</u>	<u>647,455</u>
Basic profit per share from continuing operations and discontinued operations (HK cents per share)	<u>0.04</u>	<u>1.91</u>
Basic profit/(loss) per share from continuing operations (HK cents per share)	<u>0.04</u>	<u>(1.26)</u>

No diluted profit/(loss) per share is presented for the six months ended 30th September, 2009 and 2008 as the outstanding share options are anti-dilutive.

9. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2009 (2008: NIL).

10. Trade receivables

At 30th September 2009, the ageing analysis of trade receivables is as follows:

	30th September, 2009 <i>HK\$'000</i>	31st March, 2009 <i>HK\$'000</i>
Current	1,593	110
1 to 3 months	3	—
Over 3 months	15	26
	1,611	136

All trade 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.

11. Trade payables

At 30th September 2009, the ageing analysis of trade payables is as follows:

	30th September, 2009 <i>HK\$'000</i>	31st March, 2009 <i>HK\$'000</i>
Current	1,671	—
1 to 3 months	1,387	8
4 to 6 months	—	—
Over 6 months	692	3,211
	3,750	3,219

Trade payables are denominated in the following currencies:

	30th September, 2009 <i>HK\$'000</i>	31st March, 2009 <i>HK\$'000</i>
US dollars	3,713	3,219
Hong Kong dollars	37	—
	<u>3,750</u>	<u>3,219</u>

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

As stated in the 2009 annual report, the Group has discontinued its Diadora licensee business in the year ended 31st March 2009. Following the discontinuance of the licensee business, the Group focused on its core export business. The Group recorded a turnover of HK\$45.6 million from its export business in the Review Period, representing a decrease of 12% compared to the corresponding previous period. No turnover was achieved from licensee business in the Review Period as all the related stocks were disposed of in the previous financial year. Gross profit margin achieved from export business improved from 13.4% in the corresponding previous period to 18.7% in the Review Period. Net profit attributable to the equity holders of the Company was approximately HK\$254,000, representing a decrease of approximately 98% from the corresponding previous period. Net profit in the corresponding previous period included a net contribution from disposal of licensee business of HK\$20.5 million whereas no such exceptional item was recorded in the Review Period.

Business Overview

In the Review Period, the Group continued to exercise tight credit control on its export business, and orders were only received from customers with proven means of payment. Also, the Group's deliveries to customers scattered over a longer period instead of concentrating on the first half year. As a result, the Group's sales in the Review Period was HK\$45.6 million, representing a decline of 12% compared with the corresponding previous period. On the other hand, gross profit margin was improved from approximately 13.4% in the corresponding previous period to approximately 18.7% in the Review Period. The improvement was mainly derived from increased VAT refund by Chinese government. In addition, the strategy adopted by the Group to solicit year round delivery orders from customers resulted in the utilization of spare production capacity in low season, improvement in labour efficiencies and lower production costs. The Group continued to take active measures to control its overheads and administrative expenses were reduced by approximately 42% in the Review Period.

Prospects

Although the pace of economic recovery for export markets remained stumbled, there are signs that it is heading towards a positive direction. With some weak players going out of business, the Group received more fall winter season orders for delivery in October and November 2009. The Group will also launch new products for the spring summer season in the second half year. With an expansion of its customer base and the development of new product lines, the Group will strengthen its services to customers and its market competitiveness. The board is confident with 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 generated from operations amounted to approximately HK\$2.7 million for the Review Period (2008: HK\$18.1 million).

In the Review Period, the Company allotted 5,000,000 shares at par to a grantee of share options, the amount raised of HK\$500,000 was used as general working capital of the Group.

As at 30th September, 2009, the Group's net borrowings comprised bank loans, obligations under finance leases and loans from Mr. Wong, the aggregate amount of which was approximately HK\$47.6 million (as at 31st March, 2009: HK\$ 35.4 million). Among the total outstanding amounts of bank loans, obligations under finance leases and loans from Mr. Wong as at 30th September, 2009, 57% (as at 31st March, 2009: 30%) are repayable within one year, 28% (as at 31st March, 2009: 45%) 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 and Mr. Wong 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 0.57 as at 30th September, 2009 compared to 0.35 as at 31st March, 2009. The Group's gearing ratio as at 30th September, 2009 was 0.68 (as at 31st March, 2009: 0.63) which is calculated based on the Group's total liabilities of HK\$ 61 million (as at 31st March, 2009: HK\$ 47.9 million) and the Group's total assets of HK\$89.5 million (as at 31st March, 2009: HK\$ 75.8 million). As at 30th September, 2009, the Group's total cash and bank balances amounted to HK\$ 17.1 million compared to HK\$2.7 million as at 31st March, 2009.

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, 2009, 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\$66.1 million (as at 31st March, 2009: HK\$66.3 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, 2009, the facilities utilised amounted to HK\$35.3 million (as at 31st March, 2009: HK\$19.2 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 2009 in the said court.

As the outcome of the legal proceedings is uncertain, the Directors are of the opinion that the amount of obligations (if any) cannot be reliably measured at this stage and, accordingly, no provision for such liabilities has been made in the financial information.

Except for the foregoing, as at 30th September, 2009, the Group had no other significant contingent liabilities or pending litigation.

Employees

As at 30th September, 2009, the Group had a total of 31 employees, as compared to 28 employees as at 31st March, 2009. Staff costs including directors' remuneration were approximately HK\$4.7 million and HK\$9.5 million for the Review Period and the six months ended 30th September, 2008 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 represent 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 2009-10 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, 10th December, 2009

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.