



**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 FINAL RESULTS  
FOR THE YEAR ENDED 31ST MARCH, 2010**

**RESULTS**

The Board of Directors of Takson Holdings Limited (“the Company”) announces the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31st March, 2010 ( the “Financial Year”), together with the comparative figures for the year ended 31st March, 2009 as follows:

\* *for identification purpose only*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2010

	<i>Note</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Continuing operations</b>			
Turnover	3	75,842	62,585
Cost of sales		<u>(61,892)</u>	<u>(51,756)</u>
Gross profit		13,950	10,829
Other income	3	12,139	8,255
Selling, distribution and marketing expenses		<u>(7,935)</u>	<u>(4,995)</u>
Administrative expenses		<u>(15,833)</u>	<u>(16,819)</u>
Operating profit/(loss)	4	2,321	(2,730)
Finance costs	5	<u>(1,863)</u>	<u>(1,294)</u>
Profit/(loss) before taxation		458	(4,024)
Income tax credit	6	<u>1,848</u>	<u>—</u>
Profit/(loss) for the year from continuing operations		2,306	(4,024)
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	7	<u>—</u>	<u>15,749</u>
Profit for the year		2,306	11,725
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		<u>3,104</u>	<u>(3,414)</u>
<b>Total comprehensive income for the year</b>		<u><b>5,410</b></u>	<u><b>8,311</b></u>
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		2,307	11,728
Minority interests		<u>(1)</u>	<u>(3)</u>
		<u><b>2,306</b></u>	<u><b>11,725</b></u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		5,411	8,314
Minority interests		<u>(1)</u>	<u>(3)</u>
		<u><b>5,410</b></u>	<u><b>8,311</b></u>
Earnings/(loss) per share attributable to the equity holders of the Company			
From continuing and discontinued operations			
— basic ( <i>HK cents</i> )	8	<u><b>0.32</b></u>	<u>1.72</u>
From continuing operations			
— basic ( <i>HK cents</i> )	8	<u><b>0.32</b></u>	<u>(0.59)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2010

	<i>Note</i>	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>8,171</b>	7,140
Leasehold land and land use rights		<b>10,187</b>	10,459
Investment properties		<b>60,088</b>	51,544
		<u><b>78,446</b></u>	<u>69,143</u>
<b>Current assets</b>			
Inventories		<b>1,450</b>	348
Trade receivables	9	<b>1,342</b>	136
Deposits, prepayments and other receivables		<b>5,654</b>	3,524
Cash at bank and in hand		<b>6,440</b>	2,695
		<u><b>14,886</b></u>	<u>6,703</u>
<b>Total assets</b>		<u><b>93,332</b></u>	<u>75,846</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		<b>72,671</b>	71,740
Reserves		<b>(34,814)</b>	(43,825)
		<u><b>37,857</b></u>	<u>27,915</u>
Minority interests		<b>(4)</b>	(3)
<b>Total equity</b>		<u><b>37,853</b></u>	<u>27,912</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2010

	<i>Note</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings		<b>15,618</b>	9,207
Long-term liabilities		<b>263</b>	263
Deferred tax liabilities		<b>2,940</b>	3,788
Loans from a director		<b>10,200</b>	15,766
		<b>29,021</b>	29,024
<b>Current liabilities</b>			
Trade payables	<i>10</i>	<b>4,604</b>	3,219
Other payables and accrued charges		<b>2,992</b>	4,272
Taxation payable		—	1,000
Bank borrowings		<b>18,862</b>	10,419
		<b>26,458</b>	18,910
<b>Total liabilities</b>		<b>55,479</b>	47,934
<b>Total equity and liabilities</b>		<b>93,332</b>	75,846
<b>Net current liabilities</b>		<b>(11,572)</b>	(12,207)
<b>Total assets less current liabilities</b>		<b>66,874</b>	56,936

Notes:

### 1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (which include Hong Kong Accounting Standards (“HKAS”) and Interpretations). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and buildings.

## 2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, that are effective for the Group’s financial year beginning on 1st April, 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 Amendment	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
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
HK(IFRIC)-Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

### **New and revised HKFRSs affecting presentation and disclosure only**

#### **HKAS 1 (Revised 2007) Presentation of Financial Statements**

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

#### **HKFRS 8 Operating Segments**

HKFRS 8 is a disclosure standard that expands the disclosures required and has not resulted in a redesignation of the Group’s reportable segments (see note 3) nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective for the year ended 31st March, 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>8</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>5</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HK(IFRIC) – Interpretation 14 (Amendment)	Prepayments of a Minimum Funding Requirements <sup>6</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>6</sup>
HKFRS 9	Financial Instruments <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January, 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>8</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

### 3. Revenue 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 year is as follows:

	Export Business (Continuing operations)		Property Investment (Continuing operations)		Licensee Business (Discontinued operations)		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>								
Sales of goods/rental income	<u>73,101</u>	<u>59,512</u>	<u>2,741</u>	<u>3,073</u>	<u>—</u>	<u>6,968</u>	<u>75,842</u>	<u>69,553</u>
<b>Other income</b>								
Income from sample sales	111	—	—	—	—	—	111	—
Interest income	—	3	—	—	—	2	—	5
Changes in fair value of investment properties	—	—	8,544	7,824	—	—	8,544	7,824
Write-back of trade payables	565	—	—	—	—	4,014	565	4,014
Proceeds from disposal of intangible assets	—	—	—	—	—	23,400	—	23,400
Compensation received	2,340	—	—	—	—	—	2,340	—
Sundry income	<u>579</u>	<u>428</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>67</u>	<u>579</u>	<u>495</u>
	<u>3,595</u>	<u>431</u>	<u>8,544</u>	<u>7,824</u>	<u>—</u>	<u>27,483</u>	<u>12,139</u>	<u>35,738</u>

The Group operates mainly in Hong Kong and the PRC and in the following business segments:

Export (Continuing) – sales of outerwear garments to overseas customers.

Property investment (Continuing) – Investing and letting of properties.

Licensee (Discontinued) – retailing and distribution of DIADORA sportswear products in the PRC and Hong Kong.

*Primary reporting format — business segments*

	2010			Total <i>HK\$'000</i>
	Export business (Continuing operations) <i>HK\$'000</i>	Property investment (Continuing operations) <i>HK\$'000</i>	Licensee business (Discontinued operations) <i>HK\$'000</i>	
Turnover	<u>73,101</u>	<u>2,741</u>	<u>—</u>	<u>75,842</u>
Segment operating profit	<u>2,628</u>	<u>4,123</u>	<u>—</u>	<u>6,751</u>
Unallocated income				441
Unallocated corporate expenses				<u>(4,871)</u>
Operating profit				2,321
Finance costs	(1,635)	(228)	—	<u>(1,863)</u>
Profit before taxation				458
Income tax credit				<u>1,848</u>
Profit after taxation				<u>2,306</u>
Segment assets	17,205	75,216	—	92,421
Unallocated assets				<u>911</u>
Total assets				<u>93,332</u>
Segment liabilities	45,676	9,306	—	54,982
Unallocated liabilities				<u>497</u>
Total liabilities				<u>55,479</u>
Capital expenditure	1,936	10	—	1,946
Depreciation of property, plant and equipment	(378)	(290)	—	(668)
Amortisation of leasehold land and land use rights	—	(272)	—	(272)
Changes in fair value of investment properties	—	8,544	—	8,544

	2009			
	Export business (Continuing operations) <i>HK\$'000</i>	Property investment (Continuing operations) <i>HK\$'000</i>	Licensee business (Discontinued operations) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	59,512	3,073	6,968	69,553
Segment operating (loss)/ profit	(1,314)	720	16,723	16,129
Interest income				5
Unallocated income				423
Unallocated corporate expenses				(2,564)
Operating profit				13,993
Finance costs	(912)	(382)	(961)	(2,255)
Profit before taxation				11,738
Income tax expense				(13)
Profit after taxation				11,725
Segment assets	6,341	67,225	22	73,588
Unallocated assets				2,258
Total assets				75,846
Segment liabilities	32,659	11,651	838	45,148
Unallocated liabilities				2,786
Total liabilities				47,934
Capital expenditure	507	—	—	507
Depreciation of property, plant and equipment	(256)	(529)	(103)	(888)
Amortisation of leasehold land and land use rights	—	(273)	—	(273)
Changes in fair value of investment properties	—	7,824	—	7,824

*Secondary reporting format – geographical segments*

	<b>2010</b>		
	<b>Turnover</b>	<b>Total</b>	<b>Capital</b>
	<b>HK\$'000</b>	<b>assets</b>	<b>expenditure</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	1,130	50,264	1,946
PRC	1,620	39,375	—
United States of America	54,341	77	—
Europe	14,154	3,616	—
Canada	4,229	—	—
Japan	331	—	—
Others	37	—	—
	<u>75,842</u>	<u>93,332</u>	<u>1,946</u>
	<b>2009</b>		
	<b>Turnover</b>	<b>Total</b>	<b>Capital</b>
	<b>HK\$'000</b>	<b>assets</b>	<b>expenditure</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	1,144	39,522	507
PRC	8,897	36,184	—
United States of America	48,816	125	—
Europe	9,708	15	—
Canada	479	—	—
Australia	509	—	—
	<u>69,553</u>	<u>75,846</u>	<u>507</u>

Revenue is allocated based on the country in which the customers are located. Assets and capital expenditure are allocated based on where the assets are located.

#### 4. Operating profit/(loss)

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

	Export business and property investment (Continuing operations)		Licensee business (Discontinued operations)		Consolidated	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Cost of inventories sold	61,892	51,756	—	6,880	61,892	58,636
Amortisation of leasehold land and land use rights	272	273	—	—	272	273
Auditor's remuneration	300	413	—	36	300	449
Bad debts written off	—	221	—	776	—	997
Depreciation of owned property, plant and equipment	573	685	—	103	573	788
leased property, plant and equipment	95	100	—	—	95	100
Net exchange loss	103	82	—	617	103	699
Loss on disposal of property, plant and equipment	236	—	—	1,023	236	1,023
Operating lease rentals in respect of land and buildings	1,288	1,534	—	409	1,288	1,943
Staff costs, including directors' emoluments	12,375	15,646	—	977	12,375	16,623
Other general and administrative expenses	8,526	2,860	—	6,907	8,526	9,767
	<b>85,660</b>	<b>73,570</b>	<b>—</b>	<b>17,728</b>	<b>85,660</b>	<b>91,298</b>

#### 5. Finance costs

	Export business and property investment (Continuing operations)		Licensee business (Discontinued operations)		Consolidated	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Interest on bank loans and overdrafts	1,348	1,261	—	390	1,348	1,651
Interest element of finance lease obligations	63	33	—	—	63	33
Interest on director's loan	452	—	—	571	452	571
	<b>1,863</b>	<b>1,294</b>	<b>—</b>	<b>961</b>	<b>1,863</b>	<b>2,255</b>

## 6. Income tax (credit)/expense

The amount of taxation (credited)/charged to the consolidated statement of comprehensive income represents:

	Export business and property investment (Continuing operations)		Licensee business (Discontinued operations)		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax						
Current tax	—	—	—	—	—	—
Overseas taxation						
Over-provision in previous year	(1,000)	—	—	13	(1,000)	13
Deferred tax income	<u>(848)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(848)</u>	<u>—</u>
Taxation (credit)/expense	<u><b>(1,848)</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>13</b></u>	<u><b>(1,848)</b></u>	<u><b>13</b></u>

- (a) No provision for Hong Kong profits tax has been made as the Group has no assessable profit arising in Hong Kong during the year (2009: HK\$ Nil).
- (b) Overseas taxation represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.
- (c) At the end of the reporting period, the Group has unused tax losses of HK\$126,167,000 (2009: HK\$125,168,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit stream.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using Hong Kong profits tax rate as follows:

	<b>Group</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Profit/(loss) before taxation		
— Continuing operations	<b>458</b>	(4,024)
— Discontinued operations	—	15,749
	<u>458</u>	<u>11,725</u>
Tax at Hong Kong profits tax rate of 16.5% (2009: 16.5%)	<b>79</b>	1,935
Effect of different taxation rates in other countries	<b>(1)</b>	4
Income not subject to taxation	<b>(1,319)</b>	(6,282)
Expenses not deductible for taxation purposes	<b>160</b>	926
Temporary differences previously not recognised	<b>(803)</b>	—
Unrecognised tax losses	<b>1,452</b>	3,391
Temporary differences not recognised	<b>(416)</b>	39
Over-provision in previous years	<b>(1,000)</b>	—
	<u>(1,848)</u>	<u>13</u>
Income tax (credit)/expense	<b>(1,848)</b>	<b>13</b>

## 7. Discontinued operations

In late December 2007, the Group began negotiation with DIADORA S.P.A., the owner and proprietor of the “Diadora” trademark, the early termination of the license with “Diadora”. An agreement was reached with the brand owner in early April 2008 for the early termination of the said license. For the purpose of preparing the Group's financial statements, the licensee business was classified as discontinued in accordance with HKFRS 5.

The sales, results and cash flows of the discontinued operations were as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Discontinued operations</b>		
Turnover	—	6,968
Cost of sales	—	(6,880)
Gross profit	—	88
Other income	—	27,483
Net operating expenses	—	(10,848)
Operating profit	—	16,723
Finance costs	—	(961)
Profit before taxation	—	15,762
Income tax expense	—	(13)
Profit for the year from discontinued operations	—	15,749
<b>Cash flows from discontinued operations</b>		
Operating cash inflows	—	21,177
Investing cash inflows	—	141
Financing cash (outflows)	—	(16,572)

## 8. Earnings/(loss) per share

Basic earnings/(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 year.

	<b>2010</b>	2009
Profit attributable to the equity holders of the Company from continuing and discontinued operations ( <i>HK\$'000</i> )	<u><b>2,307</b></u>	<u>11,728</u>
Profit/(loss) attributable to the equity holders of the Company from continuing operations ( <i>HK\$'000</i> )	<u><b>2,307</b></u>	<u>(4,024)</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u><b>722,598</b></u>	<u>682,879</u>
Basic earnings per share from continuing operations and discontinued operations ( <i>HK cents</i> )	<u><b>0.32</b></u>	<u>1.72</u>
Basic earnings/(loss) per share from continuing operations ( <i>HK cents</i> )	<u><b>0.32</b></u>	<u>(0.59)</u>

No diluted earnings/(loss) per share is presented as the outstanding share options were anti-dilutive.

## 9. Trade receivables

The ageing analysis of trade receivables is as follows:

	<b>Group</b>	
	<b>2010</b>	2009
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current	990	110
1 to 3 months	337	—
Over 3 months	15	26
	<u>1,342</u>	<u>136</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Trade receivables as at 31st March, 2010 and 31st March, 2009 were all denominated in US dollars.

Majority of the Group's export sales are generally on open account of 45 days and letter of credit at sight.

## 10. Trade payables

The ageing analysis of trade payables is as follows:

	<b>Group</b>	
	<b>2010</b>	2009
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current	2,146	—
1 to 3 months	1,817	8
4 to 6 months	2	—
Over 6 months	639	3,211
	<u>4,604</u>	<u>3,219</u>

Trade payables as at 31st March, 2010 and 31st March, 2009 were all 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.

## 11. Final Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2010 (2009: HK\$Nil).

## **BUSINESS REVIEW**

### **Export business**

In the year under review, the Group focused its marketing efforts on key customers and it successfully secured more orders from existing customers and also developed business with new customers. As a result, turnover for the Financial Year increased by 22.8% to HK\$73.1 million (2009: HK\$59.5 million). Gross profit margin achieved was approximately 15.3% (2009: 13%). The improvement was mainly due to the acceptance of year round delivery orders from customers and the cost savings from better utilisation of production facilities during slack season. On the cost side, the Group continued to take active measures to control administrative expenses and has successfully reduced them by approximately 6%. On the other hand, the Group increased its investment in product development and marketing to pave the way for securing more orders from its customers and diversification into other products.

Moving forward, the Group will continue to focus on this traditional core business by soliciting orders from existing and new customers. The Group will strengthen its product range for spring/summer season to reduce its reliance on outerwear for the fall/winter season.

### **Property investment**

The Group continued to lease its investment properties in Hong Kong and China and recorded rental income of HK\$2.7 million compared to HK\$3.1 million in the previous year. The decrease is due to the vacancy of an office unit in China for part of the year. As at the end of the reporting period, all investment properties were fully let out.

## **FINANCIAL REVIEW**

During the Financial Year, the Group has recorded a turnover of approximately HK\$75.8 million as compared to HK\$62.6 million last year, representing an increase of approximately 21.2%. The turnover for the Export Business and property investment was approximately HK\$73.1 million (2009: HK\$59.5 million) and HK\$2.7 million (2009: HK\$3.1 million) respectively. No turnover was recorded for the Licensee Business (2009: HK\$6.9 million). The increase in turnover of the Export Business is a result of the strategy adopted by the Group to focus its marketing efforts on key customers with good track record with the Group. Due to the termination of the Licensee Business in the previous year, the Group did not record any sales from licensee business.

The gross profit margin of the Export Business was approximately 15.3% (2009: 13%). The increase in the gross profit margin of the Export Business was mainly due to acceptance of year round delivery orders from customers and the cost savings from better utilisation of production facilities during slack season.

## Prospects

The Group will continue to focus on export business and expand its customer base and diversify the product varieties beyond outerwear to achieve a more balanced product mix. Following the successful launch of spring/summer collection in the year under review, the Group has further expanded its product varieties and more orders are expected from its customers. The Group has expanded its product development and production team in response to signs of recovery in its major markets. 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 by its own working capital, trade facilities and revolving bank loans provided by its principal bankers in Hong Kong. Total net cash outflow from operations amounted to approximately HK\$8.7 million for the Financial Year (2009: inflow of HK\$13.4 million).

As at 31st March 2010, the Group's net borrowings comprised bank loans, obligations under finance leases and loans from a director who is a shareholder of the Company, the aggregate amount of which was approximately HK\$44.7 million (2009: HK\$35.4 million). Among the total outstanding amounts of bank loans and obligations under finance leases and loans from a director as at 31st March, 2010, 42% (2009: 30%) is repayable within the next year, 30% (2009: 45%) is repayable within the second year and the remaining 28% (2009: 25%) repayable in the third to fifth year. The Group's bank loans 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 0.56 as at 31st March, 2010 compared to 0.35 as at 31st March, 2009. The Group's gearing ratio as at 31st March, 2010 was 0.59 (2009: 0.63) which is calculated based on the Group's total liabilities of HK\$55.5 million (2009: HK\$47.9 million) and the Group's total assets of HK\$93.3 million (2009: HK\$75.8 million). As at 31st March, 2010, the Group's total cash and bank balances amounted to HK\$6.4 million compared to HK\$2.7 million as at 31st March, 2009. The cash and bank balances together with the available banking facilities and the financial support from a director who is a shareholder of the Company can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Hong Kong dollars 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 31st March, 2010, 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\$74.5 million (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 guarantees with respect to banking facilities made available to its subsidiaries. As at 31st March, 2010, the facilities utilized amounted to HK\$32.7 million (2009: HK\$19.2 million).

In November 2008, a subsidiary of the Company initiated a legal action in the Intermediate 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 subsidiary in the sum of approximately HK\$1.9 million. A trial took place in April 2009 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 has taken legal advice and an appeal was lodged with the Zhejiang Provincial High Court of Appeal in May 2010. As the final outcome of the legal proceedings is uncertain, no provision for such liabilities has been made in the consolidated financial statements.

Except for the foregoing, as at 31st March, 2010, the Group had no other significant contingent liabilities or pending litigation.

## **EMPLOYEES**

As of 31st March, 2010, the Group had a total of 46 employees (2009: 28 employees). The increase in the number of employees was attributable to the increase in business volume during the Financial Year and the Group's strategy to strengthen its production team to secure more business. Total staff costs (including directors' remuneration) for the year amounted to approximately HK\$12.4 million (2009: HK\$16.6 million) due to reduction of directors' remuneration.

The Group remunerates its employees (including Directors) primarily with reference to industry practices, including contributory provident funds, insurance and medical benefits. The emoluments of the directors of the Company are decided 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 management and staff with awards which are determined annually based upon the performance of the Group and individual employees. As at 31st March, 2010, the Group has an aggregate of 15,548,000 share options issued to its Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **REVIEW OF FINAL RESULTS**

The Audit Committee has reviewed the annual results of the Group for the year ended 31st March, 2010.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Financial Year, except for the deviations from Code Provisions A.2.1 and A.4.1. Further details of the Company's corporate governance practices are set out in the Corporate Governance Report in the Annual Report for the Financial Year.

### **Chairman and Chief Executive Officer**

Code provision A.2.1 stipulates that the roles of the chairman and the 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 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.

One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board always acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and fully discharges its responsibilities, and that all key issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda.

The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the composition of the Board which comprises experienced independent non-executive Directors and experienced management team. The Board will also evaluate the existing structure from time to time.

## **Term of the non-executive Directors**

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.

## **Audit Committee**

The written terms of reference which describe the authority and duties of 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 matters coming within the scope of the audit of the Group. It also reviews the effectiveness of the external audit and the internal controls and risk evaluation. Currently, the Audit Committee comprises two independent non-executive Directors, namely, Mr. Wong Kwok Tai and Mr. Chau Tsun Ming, Jimmy, and a non-executive Director, Mr. Wong Tak Yuen. Two meetings were held during the year.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 23rd August, 2010 (Monday) to 26th August, 2010 (Thursday) (both dates inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on 26th August, 2010, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 20th August, 2010 (Friday).

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This announcement is published on the HKEx website (<http://www.hkex.com.hk>) and the Company's website (<http://www.takson.com>). The 2010 annual 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, 27th July, 2010

*The board at the date of announcement comprises Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita, who are executive directors; and Mr. Chau Tsun Ming, Jimmy, Mr. Cunningham, James Patrick and Mr. Wong Kwok Tai, who are independent non-executive directors; and Mr. Wong Tak Yuen is the non-executive director.*