

## **MANAGEMENT COMMENTARY**

The Board of Directors of Takson Holdings Limited (the “Company”) presents the interim report and the unaudited condensed interim accounts of the Company and its subsidiaries (together the “Group”) and its jointly controlled entity for the six months ended 30th September, 2001.

### **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Group’s unaudited turnover and profit attributable to shareholders for the six months ended 30th September, 2001 amounted to HK\$164.7 million and HK\$1.7 million, as compared to HK\$419.0 million and HK\$20.8 million respectively for the same period last year.

#### **Interim Dividend**

After due consideration of the future working capital and development needs of the Group, the directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2001 (2000: HK\$Nil).

#### **Review**

##### *Core business*

Regarding sales orders of HK\$255 million for the year 2001/2002 as mentioned in the 2000/2001 annual report, sales of HK\$164.7 million have been recorded in the first half of the year 2001/2002 while orders of HK\$73.1 million will be shipped in the second half of the year and the remaining shipments of HK\$17.2 million will fall into the year of 2002/2003 in order to meet the customers’ schedules.

The Group’s gross profit % for the first half of the year was close to that of the same period last year. The Group has streamlined its operations in Hong Kong so that its office overhead is maintained at a minimum level.

##### *B2B textile and garment portal*

Given the less than favourable prevailing industry and market conditions, the Group has re-assessed the business prospects of its B2B textile and garment portal. In October, 2001, the project was terminated and the Group’s loss on the project is not expected to be material to the Group’s results for the year ending 31st March, 2002.

#### **Prospects**

##### *Outerwear garment business*

Owing to the slow-down of the U.S. economy, it is not expected for the Group to receive any additional huge orders for the remaining part of the financial year.

As mentioned in the 2000/2001 annual report, the Group will devote some of its resources to the distribution of garments in the PRC in the year 2002/2003 so as to capture the business opportunities there.

### *Technology-related joint venture*

The liquidation process of the joint venture has been substantially completed. The Group's earlier capital contribution to the joint venture together with the interest income amounting to approximately HK\$14.1 million was returned to the Group in November, 2001. The remaining part of the liquidation process is expected to be completed on or before the end of February, 2002.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's gearing ratio at 30th September, 2001 was 1.1 (31st March, 2001: 0.8) which is calculated based on the Group's total liabilities of HK\$115,104,000 (31st March, 2001: HK\$82,750,000) and shareholders' funds of HK\$103,423,000 (31st March, 2001: HK\$103,533,000).

As the Group's earnings and borrowings are primarily denominated in United States dollars and Hong Kong dollars, it has no significant exposure to foreign exchange rate fluctuations.

## **SEASONALITY OF INTERIM OPERATIONS**

The Group's peak season falls into the period from July to October each year as the down-filled or polyester-filled outerwear garments are shipped to meet the fall/winter seasons in the USA. Some light-weighted garments will be shipped to the USA from December each year to March of the following year to meet the spring season. About 69% of annual sales was recorded in the first six months of the current financial year as compared to that of 81% for the same period last year due to the drop in fall/winter orders.

As compared with the respective balances as at 31st March, 2001, the increase in trade receivables, cash and bank balances, bills payable and accrued charges as well as trust receipt and export packing loans as at 30th September, 2001 reflected the Group's peak month of sales in September this year and these balances will drop to a lower level at the coming year end date of 31st March, 2002.

## **EMPLOYEES**

As at 30th September, 2001, the Group had a total of 84 employees, as compared to 91 employees as of 31st March, 2001. Staff costs including directors' remuneration totalled HK\$12.6 million and HK\$15.7 million for the six months ended 30th September, 2001 and 2000, respectively. The Group's employment and remuneration policies have remained unchanged with those described in the 2000/2001 annual report.

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

On 27th August, 2001, 4,500,000 ordinary shares of HK\$0.1 each were repurchased by the Company at HK\$0.4 per share through The Stock Exchange of Hong Kong Limited. The repurchase, involving a total cash consideration of approximately HK\$1.8 million, was for the purpose of enhancing the per share return.

Apart from the aforesaid, the Company has not redeemed any of its shares during the period and 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

At no time during the period was the Company, its holding companies, its fellow subsidiaries or its subsidiaries a party to any arrangement to enable the directors and chief executives or their spouse or children under 18 years of age of the Company to acquire benefits by means of the 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, 2001, the interests of the directors, chief executives and their associates of the Company in the shares of the Company or any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)) as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name of directors	Number of ordinary shares beneficially held				Total Interests
	Personal interests	Family interests	Corporate interests	Other interests	
Wong Tek Sun, Takson	1,018,000	9,000,000	237,600,000 (Note 1)	–	247,618,000
Pang Shu Yuk, Adeline Rita	9,000,000	237,600,000 (Note 1)	–	–	246,600,000
Lian Cheng Chi	–	1,018,000	–	–	1,018,000
	1,000,000	–	–	–	1,000,000

*Note:*

- The 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 share capital of the Company and 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.

Apart from the aforesaid, as at 30th September, 2001, none of the directors and chief executives (including their spouse or children under 18 years of age) had any other interests in the shares or debentures 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

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that as at 30th September, 2001, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

<b>Name of substantial shareholders</b>	<b>Number of ordinary shares held</b>
Wangkin Investments Inc. ( <i>Note 1</i> )	237,600,000
Takson International Holdings Limited ( <i>Note 1</i> )	237,600,000
China Sci-Tech Holdings Limited ( <i>Note 2</i> )	43,500,000
Vigor Online Offshore Limited ( <i>Note 2</i> )	43,500,000
China Online (Bermuda) Limited ( <i>Note 2</i> )	43,500,000
Besford International Limited ( <i>Note 2</i> )	43,500,000
Taskwell Limited ( <i>Note 2</i> )	43,500,000

### *Notes:*

1. Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc. Therefore, all of these shares are entirely duplicated.
2. Taskwell Limited is a wholly-owned subsidiary of Besford International Limited, which is a company wholly-owned by China Online (Bermuda) Limited. China Sci-Tech Holdings Limited through two of its wholly-owned subsidiaries, one of which being Vigor Online Offshore Limited, held in the aggregate more than one-third of shares in China Online (Bermuda) Limited. Therefore, all of these shares are entirely duplicated.

Save as disclosed herein, as at 30th September, 2001, no other person is recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company.

## CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance 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, 2001, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Bye-laws.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim report and the unaudited condensed interim accounts for the six months ended 30th September, 2001 with the directors.