
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Takson Holdings Limited**, you should at once hand this circular and accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**TAKSON HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

DISCLOSEABLE TRANSACTION**FORMATION OF A JOINT VENTURE COMPANY**

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“associate”	shall have the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Chongqing Union-4”	重慶四方制裝有限公司 (Chongqing Union-4 Garment Manufacturing Company Limited), a company established under the laws of the PRC
“Company”	Takson Holdings Limited, a company incorporated under laws of Bermuda with limited liability whose shares are listed on the Stock Exchange
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	an agreement dated 26th January, 2005 entered into between Takson Garment and Chongqing Union-4 in relation to the formation of the Joint Venture Company
“Joint Venture Company”	a company to be formed pursuant to the Joint Venture Agreement whose proposed name is 蘇州德可森製衣有限公司 (Takson (Suzhou) Garment Mfg. Co. Limited)
“Latest Practicable Date”	11th March, 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in the circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiaries”	has the meaning ascribed to it under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Takson Garment”	Takson Garment Manufacturing Company Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

For the purpose of illustration only and unless otherwise stated the conversion of RMB into HK\$ is based on the agreed exchange rate of HK\$1.00 = RMB1.058.

LETTER FROM THE BOARD



TAKSON HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Wong Tek Sun, Takson

(Chairman and Chief Executive Officer)

Pang Shu Yuk, Adeline Rita

(Deputy Chairman)

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-Executive Directors:

Tsao Kwang Yung, Peter

Lee Kwok Cheung

Zheng Jie

Head Office and Principal

Place of Business in Hong Kong:

5th Floor, South Wing,

Harbour Centre, Tower One,

1 Hok Cheung Street,

Hunghom, Kowloon,

Hong Kong

Non-Executive Directors:

Wong Tak Yuen

15th March, 2005

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

FORMATION OF A JOINT VENTURE COMPANY

INTRODUCTION

On 24th February, 2005, the Board announced that Takson Garment entered into the Joint Venture Agreement with Chongqing Union-4 on 26th January, 2005 to form the Joint Venture Company in Suzhou, PRC to engage in the manufacture, export and sale of various types of textile products, clothings and accessories. Having made all reasonable enquiry, the Directors confirm to the best of their knowledge, information and believe, Chongqing Union-4 and its ultimate beneficial owner(s) are independent third parties independent of and not connected with any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

LETTER FROM THE BOARD

The purpose of this circular is to give you further information regarding the formation of the Joint Venture Company which constitutes a discloseable transaction for the purposes of the Listing Rules.

THE JOINT VENTURE AGREEMENT

Date :

26th January, 2005

Parties :

- (1) Chongqing Union-4
- (2) Takson Garment, a wholly-owned subsidiary of the Company

Chongqing Union-4 is responsible for selecting an appropriate site for the construction of the factory, coordinating and organizing the construction project of the factory and applying to the customs of the PRC for approvals for the import of equipment and materials. Takson Garment is responsible for the financial management of the Joint Venture Company and the sale of the products manufactured by the Joint Venture Company.

THE JOINT VENTURE COMPANY

The name of the Joint Venture Company is 蘇州德可森製衣有限公司 (Takson (Suzhou) Garment Mfg. Co. Limited). The Joint Venture Company is a sino-foreign equity joint venture whose operations are the manufacture, export and sale of various types of textile products, clothings and accessories. The Joint Venture Company will set up a factory in Suzhou after the obtaining of the business licence. The Joint Venture Company has on 1st March, 2005 entered into a lease agreement in respect of the factory in Suzhou.

Term

20 years

Investment amount

RMB10,000,000 (equivalent to approximately HK\$9,452,000). This amount was arrived after arm's length discussions between the parties by reference to the anticipated capital expenditure and working capital requirement of the Joint Venture Company.

LETTER FROM THE BOARD

Registered capital

RMB10,000,000 (equivalent to approximately HK\$9,452,000)

Capital injection into registered capital

Joint Venture Party	Amount of capital injection		By way of	Percentage of total registered capital %
	<i>RMB</i>	<i>HK\$ equivalent (approximate)</i>		
Chongqing Union-4	4,500,000	4,252,000	Cash	45%
Takson Garment	<u>5,500,000</u>	<u>5,200,000</u>	Cash	<u>55%</u>
Total	<u>10,000,000</u>	<u>9,452,000</u>		<u>100%</u>

Takson Garment and Chongqing Union-4 is to make capital injection in full within 3 months after granting of the business licence of the Joint Venture Company. The business licence of the Joint Venture Company has been obtained on 9th March, 2005. As at the date of this circular, the amount of capital injection has not been paid by the parties.

Takson Garment's portion of capital injection will be funded by internal resources of the Group. None of the parties to the Joint Venture Agreement is contractually bound to make future capital injection into the Joint Venture Company.

Condition

The Joint Venture Agreement is subject to approval by the relevant government authority in the PRC.

Profit/loss arrangement

The profit and loss of the Joint Venture Company will be shared and borne by the parties pro-rata to their respective equity interest in its registered capital. The Joint Venture Company will become a subsidiary of the Company. The Directors expected that the Joint Venture Company will be profitable in the first year of its operation.

LETTER FROM THE BOARD

Pre-emptive right

Each party to the Joint Venture Company has a pre-emptive right over the transfer of interest in registered capital (in whole or in part) by the other parties. Any party wishing to sell part of or all its interest in the Joint Venture Company must obtain prior consent from the other party.

Board composition

The board of directors of the Joint Venture Company will consist of 5 directors amongst whom 3 will be nominated by the Company and 2 will be nominated by Chongqing Union-4. The two executive Directors and the chief financial officer of the Company has been appointed as directors of the Joint Venture Company.

REASONS FOR THE TRANSACTION

The formation of the Joint Venture Company will enable the Group to expand its operations and production capacity in the PRC in order to meet the customers' needs. The setting up of the factory in Suzhou will provide the Company a reliable source of supply for the Group's growing retail business in the PRC. The Company is of the view that the Joint Venture Company will benefit from Chongqing Union-4's experience and expertise in running garment manufacturing operations in the PRC. Chongqing Union-4 has the expertise in the manufacturing of high end garments, the Company consider that Chongqing Union-4 will bring to the Joint Venture Company a team of well-trained skilful workers.

The Directors consider that the Joint Venture Agreement was entered into on normal commercial terms and terms of the transaction are fair and reasonable so far as the shareholders of the Company as a whole are concerned.

The formation of the Joint Venture Company will have a positive effect on the earnings of the Group.

INFORMATION ON CHONGQING UNION-4 AND THE GROUP

Chongqing Union-4 is a company established under the laws of the PRC and it is principally engaged in garment manufacturing. Having made all reasonable enquiry, the Directors confirm to the best of their knowledge, information and believe, the shareholders of Chongqing Union-4 are independent third parties independent of and not connected with any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates. The Group is a manufacturer in the garment and textile industry.

LETTER FROM THE BOARD

DISCLOSEABLE TRANSACTION

As the investment amount of RMB5,500,000 (equivalent to approximately HK\$5,200,000) exceeds 5% of the results of the relevant ratio as calculated under Rule 14.07 of the Listing Rules, the entering into the Joint Venture Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the Appendix to this circular.

Yours faithfully,
By Order of the Board
Wong Tek Sun, Takson
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests of the Directors in the shares and underlying shares or debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Beneficial interests and long positions in shares of the Company (Note 1)

Name of Directors	Personal	Family	Corporate	Total	Percentage of total issued share capital
Wong Tek Sun, Takson	4,018,000	9,000,000	237,600,000 (Note2)	250,618,000	64.3%
Pang Shu Yuk, Adeline Rita	9,000,000	4,018,000	237,600,000 (Note 2)	250,618,000	64.3%

Notes:

1. These interests do not include those in the underlying shares of equity derivatives of the Company. These interests need to be aggregated with those set out in sub-paragraph (2) below (if applicable) to give the Directors’ total interest in shares comprised in the relevant share capital of the Company within the meaning of the SFO.
2. 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 is 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 SFO.

Ms. Pang Shu Yuk, Adeline Rita, owns more than one-third of the issued share capital of WII and she and her children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, she is taken to be interested in the 237,600,000 shares in the Company under the SFO.

- (b) As at the Latest Practicable Date, so far as was known to the Directors, the interest of the persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of substantial shareholders	Number of ordinary shares held	Percentage of total issued share capital
Wangkin Investments Inc. <i>(Note)</i>	237,600,000	61%
Takson International Holdings Limited <i>(Note)</i>	237,600,000	61%

Note: Since Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc., Takson International Holdings Limited’s interests are recorded as the interests of Wangkin Investments Inc. .

- (c) Save as disclosed above, as at the Latest Practicable Date:
- (1) so far as was known to the Directors, none of the Directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.
- (2) there was no person known to the Directors who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was, directly or

indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

3. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, each of Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita has a service contract with the Company which is determinable within one year without payment of compensation, other than statutory compensation. Apart from the aforesaid, none of the Directors has a service contract with the Group.

5. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their associates has any interest in a business which competes or may compete with the business of the Group.

6. MISCELLANEOUS

- (a) The English text of this circular shall prevail over the Chinese text in case of inconsistency.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong is at 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong.
- (d) The transfer offices of the Company are Abacus Share Registrars Limited at Ground Floor, Bank of East Asia, Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (e) The company secretary of the Company is Mr. Lawrence Hui, a member of the Association of Chartered Certified Accountants.
- (f) The qualified accountant of the Company is Mr. Lawrence Hui.