



TACK HSIN HOLDINGS LIMITED



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The board of directors (the “Board”) of Tack Hsin Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004 together with comparative figures as follows;

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2004

	Notes	(Unaudited)	
		For the six months ended 30 September	
		2004	2003
		HK\$'000	HK\$'000
<b>TURNOVER</b>	2	<b>65,165</b>	73,187
Other revenue and gains		732	1,292
Cost of inventories used		(22,254)	(24,513)
Staff costs		(21,825)	(25,025)
Rental expenses		(3,235)	(4,608)
Utilities expenses		(6,499)	(8,524)
Depreciation expenses		(1,647)	(1,842)
Other operating expenses		(11,520)	(13,017)
<b>LOSS FROM OPERATING ACTIVITIES</b>	2	<b>(1,083)</b>	(3,050)
Finance costs	3	(5,816)	(7,004)
Share of profit/(loss) of a jointly controlled entity		316	(2)
<b>LOSS BEFORE MINORITY INTERESTS</b>		<b>(6,583)</b>	(10,056)
Minority interests		(365)	–
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>(6,948)</b>	(10,056)
<b>LOSS PER SHARE – BASIC</b>	5	<b>(1.93 cents)</b>	(3.32 cents)
<b>DIVIDEND</b>	6	<b>Nil</b>	Nil



## CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2004

		(Unaudited) 30 September 2004 <i>HK\$'000</i>	(Audited) 31 March 2004 <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		301,207	282,836
Interest in a jointly controlled entity		1,246	1,330
Interest in an associate		3,631	–
		<u>306,084</u>	<u>284,166</u>
<b>CURRENT ASSETS</b>			
Cash and bank balances		6,471	6,085
Trade receivables	7	925	1,054
Prepayments, deposits and other receivables		3,882	2,733
Amount receivable from the disposal of investment properties		–	63,130
Inventories, at cost		2,633	1,446
Pledged bank deposits		–	6,204
		<u>13,911</u>	<u>80,652</u>
<b>CURRENT LIABILITIES</b>			
Bank and other borrowings	8	47,049	81,566
Finance lease payables		–	126
Trade payables	9	6,913	5,076
Other payables and accruals		20,569	11,271
Provision for long service payments		3,311	3,380
Tax payable		240	240
		<u>78,082</u>	<u>101,659</u>
<b>NET CURRENT LIABILITIES</b>		<u>(64,171)</u>	<u>(21,007)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>241,913</u>	<u>263,159</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	8	167,541	201,204
<b>MINORITY INTERESTS</b>		<u>2,327</u>	<u>1,962</u>
		<u>72,045</u>	<u>59,993</u>



## CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2004

		(Unaudited) 30 September 2004 HK\$'000	(Audited) 31 March 2004 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	36,032	36,032
Reserves		36,013	23,961
		<hr/>	<hr/>
		72,045	59,993
		<hr/>	<hr/>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2004

	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Fixed asset revaluation reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	30,032	37,634	23,282	71,370	27,024	(134,455)	54,887
Issue of shares	6,000	300	-	-	-	-	6,300
Transfer	-	-	-	(56,980)	56,980	-	-
Net loss for the period	-	-	-	-	-	(10,056)	(10,056)
At 30 September 2003	<u>36,032</u>	<u>37,934</u>	<u>23,282</u>	<u>14,390</u>	<u>84,004</u>	<u>(144,511)</u>	<u>51,131</u>
At 1 April 2004	36,032	37,934	23,282	20,092	57,717	(115,064)	59,993
Surplus on revaluation and net gains not recognised in the profit and loss account	-	-	-	12,000	7,000	-	19,000
Net loss for the period	-	-	-	-	-	(6,948)	(6,948)
At 30 September 2004	<u>36,032</u>	<u>37,934*</u>	<u>23,282*</u>	<u>32,092*</u>	<u>64,717*</u>	<u>(122,012)*</u>	<u>72,045</u>

\* These reserve accounts comprise the consolidated reserves of HK\$36,013,000 in the condensed consolidated balance sheet.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	(Unaudited)	
	For the six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	9,423	(10,575)
Net cash inflow from investing activities	58,881	1,348
Net cash inflow/(outflow) from financing activities	<u>(51,596)</u>	<u>10,955</u>
<b>Net increase in cash and cash equivalents</b>	<b>16,708</b>	<b>1,728</b>
Cash and cash equivalents at beginning of period	<u>(13,605)</u>	<u>(7,893)</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>3,103</u></b>	<b><u>(6,165)</u></b>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	6,471	6,784
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	–	6,197
Bank overdrafts	<u>(3,368)</u>	<u>(19,146)</u>
	<b><u>3,103</u></b>	<b><u>(6,165)</u></b>



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2004

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The principal accounting policies and basis of preparation adopted in preparing these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2004.

### 2. SEGMENT INFORMATION

The following tables present revenue and results for the Group’s business segments for the six months ended 30 September 2004:

(Unaudited)

	Restaurant		Property		Corporate		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Turnover	61,162	68,448	4,003	4,739	–	–	65,165	73,187
Other revenue	732	1,273	–	–	–	–	732	1,273
Total	<u>61,894</u>	<u>69,721</u>	<u>4,003</u>	<u>4,739</u>	<u>–</u>	<u>–</u>	<u>65,897</u>	<u>74,460</u>
Segment results	<u>(924)</u>	<u>(4,349)</u>	<u>3,525</u>	<u>4,077</u>	<u>(3,684)</u>	<u>(2,797)</u>	<u>(1,083)</u>	<u>(3,069)</u>
Interest income							–	19
Loss from operating activities							(1,083)	(3,050)
Finance costs							(5,816)	(7,004)
Share of profit/(loss) of a jointly controlled entity	316	–	–	(2)	–	–	316	(2)
Loss before minority interests							(6,583)	(10,056)
Minority interests							(365)	–
Net loss from ordinary activities attributable to shareholders							<u>(6,948)</u>	<u>(10,056)</u>



### 3. FINANCE COSTS

	(Unaudited) For the six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Interest on bank loans and overdrafts, and other loans wholly repayable within five years	5,812	6,985
Interest on finance leases	4	19
	<b>5,816</b>	<b>7,004</b>

### 4. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2003: Nil).

### 5. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$6,948,000 (2003: HK\$10,056,000) and the weighted average of 360,321,620 (2003: 302,813,423) ordinary shares of the Company in issue during the period.

A diluted loss per share amount for the period ended 30 September 2004 has not been disclosed as no diluting events existed during that period.

A diluted loss per share amount for the period ended 30 September 2003 had not been disclosed as the warrants outstanding during that period had an anti-dilutive effect on the basic loss per share.

### 6. DIVIDEND

At a meeting of the board of directors held on 22 December 2004, the directors resolved not to pay any interim dividend (2003: Nil). Accordingly, no closure of Register of Members of the Company is proposed.

### 7. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	(Unaudited) 30 September 2004 HK\$'000	(Audited) 31 March 2004 HK\$'000
Within 3 months	830	849
4 to 6 months	74	205
7 to 12 months	21	-
Total	<b>925</b>	<b>1,054</b>

The Group's trading terms with customers are mainly on cash and credit card settlement, except for certain well-established customers where the terms vary with customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.





## 8. BANK AND OTHER BORROWINGS

At 30 September 2004, certain of the bank and other borrowings were secured by the Group's leasehold land and buildings and investment properties with a carrying value of HK\$140,323,000 (31 March 2004: HK\$126,000,000) and HK\$155,993,000 (31 March 2004: HK\$148,900,000).

## 9. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	(Unaudited) 30 September 2004 HK\$'000	(Audited) 31 March 2004 HK\$'000
Within 3 months	5,698	4,921
4 to 6 months	1,121	155
7 to 12 months	38	-
Over 1 year	56	-
	<hr/>	<hr/>
Total	<b>6,913</b>	<b>5,076</b>

## 10. SHARE CAPITAL

	(Unaudited) 30 September 2004 HK\$'000	(Audited) 31 March 2004 HK\$'000
<i>Authorised:</i>		
500,000,000 ordinary shares of HK\$0.10 each	<b>50,000</b>	50,000
	<hr/>	<hr/>
<i>Issued and fully paid:</i>		
360,321,620 (2003: 360,321,620) shares of HK\$0.10 each	<b>36,032</b>	36,032
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## 11. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no bank guarantees given in lieu of utility and property rental deposits (31 March 2004: HK\$3,338,000).

## 12. RELATED PARTY TRANSACTIONS

During the period, the Group paid rental expenses in aggregate of HK\$62,000 (2003: HK\$196,000) to a director of the Company and companies in which certain directors of the Company have beneficial interests. The rentals were determined with reference to open market rentals.



### 13. POST BALANCE SHEET EVENTS

On 10 August 2004 and on 17 September 2004, the Group entered into two separate sale and purchase agreements with two independent third parties to dispose of its properties situated on Sugar Street, Causeway Bay and at Peninsula Centre, Tsim Sha Tsui, for cash consideration of HK\$136,800,000 and HK\$148,000,000, respectively. These transactions were completed on 19 November 2004 and 6 December 2004, respectively. The transactions resulted in unaudited gains on disposal before tax of approximately HK\$28,000,000 and HK\$7,000,000, respectively. Further details of the transactions are set out in the Company's circulars dated 13 September 2004 and 14 October 2004.

### 14. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 22 December 2004.

## RESULTS

For the first half of the year, the Group recorded an unaudited consolidated turnover of HK\$65,165,000 (2003: HK\$73,187,000) and an unaudited consolidated net loss from ordinary activities attributable to shareholders of HK\$6,948,000 (2003: HK\$10,056,000). The Directors have resolved not to declare any interim dividend (2003: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

Benefited from the rising number of mainland travellers visiting Hong Kong after the relaxation of travel restrictions by the Chinese government last year, coupled with the improvement in consumer spending in the local market, the Group has seen an improvement in its results.

Unaudited consolidated turnover and unaudited consolidated net loss from ordinary activities attributable to shareholders decreased by HK\$8,022,000 and HK\$3,108,000 respectively as compared with last year. The narrowing down of loss was mainly attributed to the management's decision to close down unprofitable restaurants and the result of stringent cost-control measures and the streamlining of our work force.

### Property investment

As Hong Kong's property market has shown revitalizing signs recently, the Group has taken this opportunity to realize its properties at reasonable price. On 13 August 2004, the Group agreed to dispose of its properties at Shop B on Ground Floor, 1st, 2nd & 3rd Floors, Flats A, B & C on 4th Floor, Flat Roofs A, B & C2 on 4th Floor, Flats B & C on 5th Floor, Lift "D" from Ground to 4th Floor & Lift Machine Room on 5th Floor, Causeway Bay Commercial Building, Nos. 1, 3, 5 Sugar Street, Hong Kong at a cash consideration of HK\$136,800,000. The Group would use the net proceeds of HK\$134,463,000 from the disposal, after deduction of legal expenses, valuation fees, printing charges and miscellaneous expenses, as follows:

1. as to about HK\$90 million for the repayment of certain outstanding borrowings of the Group; and



2. as to about HK\$44,463,000 as additional working capital of the Group for its existing restaurant operations. (Please refer to the announcement dated 13 September, 2004 for details.)

On 22 September, 2004, the Group also agreed to dispose of the whole of 2/F., Peninsula Centre, 67 Mody Road, Kowloon. The property is currently occupied by the Group for its Chinese restaurant operations. Following completion of the transaction, the Group would continue to use the property for its current operations under a new tenancy agreement entered into between the vendor and the purchaser at a monthly rental of HK\$700,000 for a term of three years. The rental was determined between the purchaser and the vendor after arm's-length negotiation and was comparable to market rate according to CS Surveyors Limited, a property valuer and an independent third party. The term of lease would commence on the date of the completion. Such tenancy agreement also provided the Group with an option of renewal for a further term of three years at open market rent. A corporate guarantee for the due performance of the tenancy agreement would be given by the Company to the purchaser with aggregate liability not exceeding HK\$25.2 million (HK\$700,000 x 12 x 3), being the total rental for the three-year term under the tenancy agreement. The term in which the Company undertook the liabilities should be three years commencing from the date of the tenancy agreement. The corporate guarantee was determined between the purchaser and the vendor after arm's-length negotiation.

The Group would use the net proceeds of about HK\$145,626,000 from the disposal, after deduction of legal expenses, valuation fees, printing charges and miscellaneous expenses, as follows:

1. as to about HK\$99,828,000 for the repayment of certain outstanding borrowings of the Group; and
2. as to about HK\$45,798,000 as additional working capital of the Group for its existing restaurant operations including renovation of the restaurants and marketing activities. (Please refer to the announcement dated 14 October, 2004 for details.)

The Directors considered that it was the best opportunity for the Company to dispose of the properties at a reasonable price and that the terms of the disposals were negotiated on an arm's-length basis and were made on normal commercial terms.

Since the transactions of the above two properties were subsequently completed in November and early December of the year, the relevant bank borrowings had been fully settled. The balance of loans has also been significantly decreased and accordingly the interest expenses are drastically deduced.

### **Liquidity and financial resources**

As at 30 September 2004, the Group's bank balance and cash amounted to approximately HK\$6,471,000.

As at 30 September 2004, the Group had bank and other borrowings of approximately HK\$214,590,000 (31 March 2004: HK\$282,770,000), which were secured by certain of the Group's properties. All borrowings were at interest rates with reference to HK dollar prime rate. Shareholders' equity was HK\$72,045,000 (31 March 2004: HK\$59,993,000).



Bank borrowings, bank balance and cash of the Group were all denominated in Hong Kong dollars, and hence no exposure to exchange risk.

#### Number of employees and remuneration policy

As at 30 September 2004, the Group had 377 employees. Remuneration policy was regularly reviewed during the year by reference to prevailing market practices.

There is no share option scheme established for employees by the Group during the six months ended 30 September 2004.

#### Outlook

Seeing a remarkable recovery trend in the local economy, the Group has full confidence in its future operations and will actively put more resources in the market, with an aim to maintain its steady growth.

Despite launched recently, the new brandname of “有骨氣” wins excellent market feedback, and accordingly the Group will keep a close eye on its development, with a hope that the profitability of the Company can be strongly enhanced following the trend of diversification of cuisine brandnames.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2004, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

#### (1) Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
Chan Shu Kit	–	114,240,000 (note 1)	114,240,000	31.70%
Kung Wing Yiu	7,802,000	–	7,802,000	2.16%
Chan Leung Huen	1,350,000	5,530,000 (note 2)	6,880,000	1.90%



(2) **Long positions in shares of associated corporations**

(a) *Long Yuet Investment Limited, the Company's subsidiary*

Name of director	Capacity and nature of interest	Type of shares held	Number of shares held	Percentage of shareholding in respective class of shares
Chan Shu Kit	Directly beneficially owned	Non-voting deferred	5,000	50%
Chan Shu Kit (note 3)	Corporate	Ordinary	100	100%
Kung Wing Yiu	Directly beneficially owned	Non-voting deferred	5,000	50%

(b) *Conyick Investments Limited, the Company's subsidiary*

Name of director	Capacity and nature of interest	Type of shares held	Number of shares held	Percentage of shareholding in respective class of shares
Chan Shu Kit	Directly beneficially owned	Non-voting deferred	400,000	66.66%
Chan Shu Kit (note 3)	Corporate	Ordinary	100	100%
Kung Wing Yiu	Directly beneficially owned	Non-voting deferred	50,000	8.33%

*Notes:*

1. These shares are held through Hoylake Holdings Limited, a company wholly-owned by Chan Shu Kit.
2. These shares are held through Loong Yip Shing Investment Company Limited, a company wholly-owned by Chan Leung Huen and his family.
3. The interests of Chan Shu Kit are held via a chain of controlled corporations, namely Hoylake Holdings Limited, the Company, Tack Hsin (BVI) Holdings Limited, Tack Hsin Properties Limited and Rainbow Star Holding Group Limited.

In addition to the above, a director has non-beneficial personal equity interest in a subsidiary held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.



Save as disclosed above, as at 30 September 2004, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2004, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Hoylake Holdings Limited ( <i>note 1</i> )	Directly beneficially owned	114,240,000	31.70%

*Note:*

1. This interest has also been disclosed as an interest of Chan Shu Kit under the section "Directors' interests and short positions in shares" above.

Save as disclosed above, as at 30 September 2004, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2004.

## **AUDIT COMMITTEE**

The Audit Committee comprises three members, namely Mr. Kung Fan Cheong, Mr. Chan Ka Ling, Edmond and Mr. Lo Kin Cheung, all are independent non-executive directors of the Company. The Audit Committee, together with the management of the Group, has reviewed the statements of standard accounting practice adopted by the Group as well as internal control systems and matters relating to financial reporting, including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2004.

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement and re-election at each annual general meeting of the Company in accordance with the bye-laws of the Company.

By Order of the Board  
**Chan Shu Kit**  
*Chairman*

Hong Kong, 22 December 2004