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TACK HSIIN HOLDINGS LIMITED

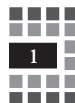
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Interim Report 2002

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 2002 together with comparative figures as follows:

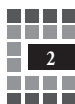
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | | (Unaudited) | |
|---|--------------|---------------------|----------------------|
| | | For the six months | |
| | | ended 30 September | |
| | | 2002 | 2001 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| TURNOVER | 2 | 130,916 | 158,807 |
| Other revenue and gains | | 1,074 | 1,564 |
| Cost of inventories used | | (47,388) | (56,227) |
| Staff costs | | (45,900) | (58,668) |
| Rental expenses | | (8,439) | (11,953) |
| Utilities expenses | | (13,379) | (14,480) |
| Depreciation expenses | | (4,404) | (5,592) |
| Other operating expenses | | (30,905) | (24,678) |
| | | <hr/> | <hr/> |
| LOSS FROM OPERATING ACTIVITIES | 2 | (18,425) | (11,227) |
| Finance costs | 3 | (7,481) | (10,846) |
| Share of profits/(losses) of jointly controlled entities | | 6,269 | (5) |
| Provision for an amount due from a jointly controlled entity | | – | (748) |
| Provision for loss on disposal of an associate | | – | (10,000) |
| | | <hr/> | <hr/> |
| LOSS BEFORE TAX | | (19,637) | (32,826) |
| Tax | 4 | (1,003) | (9) |
| | | <hr/> | <hr/> |
| LOSS BEFORE MINORITY INTERESTS | | (20,640) | (32,835) |
| Minority interests | | 1,247 | (335) |
| | | <hr/> | <hr/> |
| NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | | (19,393) | (33,170) |
| Accumulated losses at beginning of period | | (98,780) | (48,903) |
| | | <hr/> | <hr/> |
| ACCUMULATED LOSSES AT END OF PERIOD | | <u>(118,173)</u> | <u>(82,073)</u> |
| LOSS PER SHARE – BASIC | 5 | <u>(6.46 cents)</u> | <u>(11.05 cents)</u> |
| DIVIDEND | 6 | <u>Nil</u> | <u>Nil</u> |



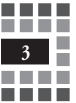
CONDENSED CONSOLIDATED BALANCE SHEET

| | | (Unaudited) 30 September 2002 <i>HK\$'000</i> | (Audited) 31 March 2002 <i>HK\$'000</i> |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | | 382,386 | 391,742 |
| Interests in jointly controlled entities | | 764 | 3,504 |
| Interests in associates | | 5,615 | 5,598 |
| | | <u>388,765</u> | <u>400,844</u> |
| CURRENT ASSETS | | | |
| Cash and bank balances | | 14,149 | 17,355 |
| Trade receivables | 7 | 1,277 | 2,284 |
| Prepayments, deposits and other receivables | | 6,461 | 9,479 |
| Tax recoverable | | – | 7 |
| Inventories, at cost | | 3,180 | 4,046 |
| Pledged bank deposits | | 6,768 | 6,736 |
| | | <u>31,835</u> | <u>39,907</u> |
| CURRENT LIABILITIES | | | |
| Bank and other borrowings | 8 | 47,980 | 56,543 |
| Finance lease payables | | 370 | 500 |
| Trade payables | 9 | 13,056 | 13,464 |
| Other payables and accruals | | 15,259 | 16,019 |
| Provision for long service payments | | 5,669 | 6,495 |
| Tax payable | | 211 | 211 |
| | | <u>82,545</u> | <u>93,232</u> |
| NET CURRENT LIABILITIES | | <u>(50,710)</u> | <u>(53,325)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>338,055</u> | <u>347,519</u> |
| NON-CURRENT LIABILITIES | | | |
| Bank and other borrowings | 8 | 231,680 | 220,737 |
| Finance lease payables | | 259 | 415 |
| Deferred tax | | 374 | 374 |
| | | <u>232,313</u> | <u>221,526</u> |
| MINORITY INTERESTS | | <u>4,884</u> | <u>6,131</u> |
| | | <u><u>100,858</u></u> | <u><u>119,862</u></u> |



CONDENSED CONSOLIDATED BALANCE SHEET

| | | (Unaudited) 30 September 2002 HK\$'000 | (Audited) 31 March 2002 HK\$'000 |
|-----------------------------|----|---|---|
| CAPITAL AND RESERVES | | | |
| Issued capital | 10 | 30,032 | 30,005 |
| Reserves | 11 | 188,999 | 188,637 |
| Accumulated losses | | (118,173) | (98,780) |
| | | <u>100,858</u> | <u>119,862</u> |



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | (Unaudited) | |
|------------------------------|--|-----------------|
| | For the six months ended 30 September | |
| | 2002 | 2001 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Total equity at 1 April | 119,862 | 47,693 |
| Net loss for the period | (19,393) | (33,170) |
| Issue of shares | 389 | — |
| | <hr/> | <hr/> |
| Total equity at 30 September | <u>100,858</u> | <u>14,523</u> |



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | (Unaudited) | |
|---|--|-------------------------------|
| | For the six months ended 30 September | |
| | 2002 | 2001 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> (Restated) |
| Net cash outflow from operating activities | (6,361) | (16,800) |
| Net cash inflow from investing activities | 8,184 | 1,407 |
| Net cash inflow/(outflow) from financing activities | (2,542) | 14,913 |
| Net decrease in cash and cash equivalents | (719) | (480) |
| Cash and cash equivalents at beginning of period | 755 | (684) |
| Cash and cash equivalents at end of period | 36 | (1,164) |
| Analysis of the balances of cash and cash equivalents | | |
| Cash and bank balances | 14,149 | 12,334 |
| Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities | 6,153 | 6,069 |
| Bank overdrafts | (20,266) | (19,567) |
| | 36 | (1,164) |



NOTES TO CONDENSED FINANCIAL STATEMENTS

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 Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2002, except that the Group has adopted the following SSAPs which are effective for accounting periods commencing on or after 1 April 2002:

- SSAP 1 (Revised) : “Presentation of financial statements”
- SSAP 15 (Revised) : “Cash flow statements”
- SSAP 25 (Revised) : “Interim financial reporting”
- SSAP 34 : “Employee benefits”

These SSAPs prescribe new accounting measurement and disclosure practices. The adoption of these SSAPs during the current financial period does not have any significant impact on the Group’s results or shareholders’ equity, except that the presentation of certain items and balances in the condensed consolidated interim financial statements have been revised to comply with the new requirements.



2. SEGMENT INFORMATION

The following tables present revenue and results for the Group's business segments for the six months ended 30 September 2002:

(Unaudited)

| | Restaurant | | Property | | Corporate | | Consolidated | |
|--|-----------------|----------------|--------------|--------------|----------------|----------------|-----------------|-----------------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | | | | |
| Turnover | 127,375 | 157,459 | 3,541 | 1,348 | - | - | 130,916 | 158,807 |
| Other revenue | 1,034 | 1,364 | - | - | - | - | 1,034 | 1,364 |
| Total | <u>128,409</u> | <u>158,823</u> | <u>3,541</u> | <u>1,348</u> | <u>-</u> | <u>-</u> | <u>131,950</u> | <u>160,171</u> |
| Segment results | <u>(12,619)</u> | <u>(3,613)</u> | <u>2,778</u> | <u>306</u> | <u>(8,624)</u> | <u>(7,220)</u> | (18,465) | (10,527) |
| Interest income | | | | | | | 40 | 200 |
| Impairment of a long term investment | | | | | | | - | (900) |
| Loss from operating activities | | | | | | | (18,425) | (11,227) |
| Finance costs | | | | | | | (7,481) | (10,846) |
| Share of profits/(losses) of jointly controlled entities | - | - | 6,269 | (5) | - | - | 6,269 | (5) |
| Provision for an amount due from a jointly controlled entity | - | (748) | - | - | - | - | - | (748) |
| Provision for loss on disposal of an associate | - | - | - | (10,000) | - | - | - | (10,000) |
| Loss before tax | | | | | | | (19,637) | (32,826) |
| Tax | | | | | | | (1,003) | (9) |
| Loss before minority interests | | | | | | | (20,640) | (32,835) |
| Minority interests | | | | | | | 1,247 | (335) |
| Net loss from ordinary activities attributable to shareholders | | | | | | | <u>(19,393)</u> | <u>(33,170)</u> |



3. FINANCE COSTS

| | (Unaudited) | |
|--|--------------------|---------------|
| | For the six months | |
| | ended 30 September | |
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Interest on bank loans and overdrafts, and other loans wholly repayable within five years | 7,454 | 10,825 |
| Interest on finance leases | 27 | 21 |
| | <u>7,481</u> | <u>10,846</u> |

4. TAX

| | (Unaudited) | |
|--|--------------------|------------|
| | For the six months | |
| | ended 30 September | |
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Group | – | (9) |
| Share of tax attributable to a jointly controlled entity | <u>(1,003)</u> | <u>–</u> |
| Tax charge for the year | <u>(1,003)</u> | <u>(9)</u> |

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period.

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\$19,393,000 (2001: HK\$33,170,000) and the weighted average number of 300,109,168 (2001: 300,053,220) ordinary shares of the Company in issue during the period.

Diluted loss per share for the periods ended 30 September 2002 and 2001 have not been disclosed as the warrants outstanding during these periods had an anti-dilutive effect on the basic loss per share.

6. DIVIDEND

At a meeting of the board of directors held on 20 December 2002, the directors resolved not to pay any interim dividend (2001: 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 2002 <i>HK\$'000</i> | (Audited) 31 March 2002 <i>HK\$'000</i> |
|-----------------|--|--|
| Within 3 months | 973 | 1,203 |
| 4 to 6 months | 98 | 268 |
| 7 to 12 months | 23 | 650 |
| Over 1 year | 183 | 163 |
| Total | <u>1,277</u> | <u>2,284</u> |

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 2002, certain of the bank and other borrowings were secured by the Group's leasehold land and buildings, investment properties and bank deposits with a carrying value of HK\$249,444,000 (31 March 2002: HK\$251,000,000), HK\$110,500,000 (31 March 2002: HK\$110,500,000) and HK\$6,153,000 (31 March 2002: HK\$6,121,000), respectively.

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 2002 <i>HK\$'000</i> | (Audited) 31 March 2002 <i>HK\$'000</i> |
|-----------------|--|--|
| Within 3 months | 12,450 | 13,085 |
| 4 to 6 months | 414 | 235 |
| 7 to 12 months | 149 | 6 |
| Over 1 year | 43 | 138 |
| Total | <u>13,056</u> | <u>13,464</u> |



10. SHARE CAPITAL

| | (Unaudited) 30 September 2002 HK\$'000 | (Audited) 31 March 2002 HK\$'000 |
|---|---|---|
| Authorised: | | |
| 500,000,000 ordinary shares of HK\$0.10 each | <u>50,000</u> | <u>50,000</u> |
| Issued and fully paid: | | |
| 300,321,620 (31 March 2002: 300,053,220) shares of HK\$0.10 each | <u>30,032</u> | <u>30,005</u> |

The movements of the Company's share capital are as follows:

| | Carrying amount HK\$'000 | Shares issued |
|---|--------------------------------|--------------------|
| At 31 March 2002 | 30,005 | 300,053,220 |
| Issue of new shares upon exercise of warrants | <u>27</u> | <u>268,400</u> |
| At 30 September 2002 | <u>30,032</u> | <u>300,321,620</u> |

11. RESERVES

| | Share premium account HK\$'000 | Contributed surplus HK\$'000 | Fixed asset revaluation reserve HK\$'000 | Investment property revaluation reserve HK\$'000 | Total HK\$'000 |
|---|---|------------------------------------|---|--|-------------------|
| At 31 March 2001 (audited) and 30 September 2001 (unaudited) | <u>37,272</u> | <u>23,282</u> | <u>–</u> | <u>6,037</u> | <u>66,591</u> |
| At 31 March 2002 (audited) | 37,272 | 23,282 | 91,259 | 36,824 | 188,637 |
| Issue of shares | <u>362</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>362</u> |
| At 30 September 2002 (unaudited) | <u>37,634</u> | <u>23,282</u> | <u>91,259</u> | <u>36,824</u> | <u>188,999</u> |

The contributed surplus of the Group represents the excess of the nominal value of the shares and the share premium account of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

12. CONTINGENT LIABILITIES

At the balance sheet date, the Group had bank guarantees given in lieu of utility and property rental deposits amounting to HK\$3,249,000 (31 March 2002: HK\$4,552,000).

13. RELATED PARTY TRANSACTIONS

During the period, the Group paid rental expenses in aggregate of HK\$1,575,000 (2001: HK\$1,434,000) 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.

14. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed interim financial statements were approved and authorised for issue by the board of directors on 20 December 2002.

RESULTS

The Group recorded an unaudited consolidated turnover of HK\$130,916,000 (2001: HK\$158,807,000) and an unaudited consolidated net loss from ordinary operations attributable to shareholders of HK\$19,393,000 (2001: HK\$33,170,000) for the first half year. The Board of Directors has resolved not to declare any interim dividend (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

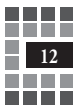
Business review

During the year under review, the Hong Kong economy has not shown much sign of recovery, and the severe competition in the restaurant industry has resulted in a sluggish market. Consumers are much depressed by the uncertainties of the weak economy, and the fragile consumer confidence has led the consumers to spend on low-end restaurants, and therefore the market conditions for restaurant operation has become more difficult. Given the inevitable current hardship faced by the Group, the directors have laid down plans to accelerate the streamlining of the structure of the Group and make deployment for future reorganization in order to overcome the adverse operating environment.

In respect of the operations of Macau style café, despite that the Group has operated Macau style café business for years with different district branches holding various regional market share, its overall performance has been lagging behind Group's expectations. Since the Group is aware of the ongoing downward trend of the branch operations, and accordingly the Group discontinued the Macau style café businesses in Western district and Mong Kok at the end of November 2002, and at the same time disposed of the fixtures and facilities of the two branches to independent third parties, at the consideration of HK\$800,000 and HK\$700,000 respectively, and such amounts have been received in full at the beginning of December 2002.

As regards the properties in Lantau Island jointly invested by the Group and other independent third parties, all the 12 residential units have been sold out in the first half of the year, and generated substantial profits amounting to HK\$5,266,000 to the Group.

Subsequent to 30 September 2002, in respect of four properties rented by the Group: (i) shop 5, Ground Floor, Pearl Court, 2-12 Holland Street, Hong Kong; (ii) Shop 6, Ground Floor, Pearl Court, 2-12 Holland Street, Hong Kong; (iii) Ground Floor, 121-123 Parkes Street, Yaumatei, Kowloon, Hong Kong; and (iv) Ground Floor, 127 Parkes Street, Yaumatei, Kowloon, Hong Kong, the Group has been informed that the respective landlords of the four properties, whom were considered to be connected persons to the Group as stated in the announcement of the Company dated 26 August 2002, have sold their respective interests in the four properties to independent third parties of the Group, and hence the rental transactions as to these four properties will no longer be considered connected transactions.



In addition, the Group will continue its effort in controlling its operating cost, which includes the streamlining of the Group and rigid cost-control measures. Meanwhile, with bank interest rate already on the down side, the Group's cash flow has been improved which in turn strengthened the Group's competitive edges in the future.

Liquidity and financial resources

As at 30 September 2002, the Group's bank balance and cash, including the pledged bank deposits, amounted to approximately HK\$20,917,000.

As at 30 September 2002, the Group had bank and other borrowings of approximately HK\$279,660,000 (31 March 2002: HK\$277,280,000) at interest rates with reference to HK dollar prime rate, secured by its own properties. The shareholders' equity was HK\$100,858,000 (31 March 2002: HK\$119,862,000), the ratio of non-current liabilities to shareholders equity was 2.30 (31 March 2002: 1.85). Subsequent to 30 September 2002, the principal banker of the Group has agreed with the Group to grant a banking facility with more favourable terms where the Group's liquidity will be improved as a result.

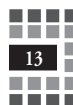
The Group's bank borrowings, bank balance and cash were all denominated in Hong Kong dollars, and hence there was no significant exposure to foreign exchange fluctuation.

Number of employees and remuneration policy

As at 30 September 2002, the Group had more than 680 employees and the remuneration policy was regularly reviewed during the last year by reference to the prevailing market practices.

Prospects

The Group is optimistic about the market development. Moreover, the Group will closely monitor and actively look for potential investments opportunities to better utilize its resources as well as to strengthen and maintain its competitive edges, thereby laying a solid foundation for the Group's future development.



DIRECTORS' INTERESTS IN SHARES AND WARRANTS

At 30 September 2002, the interests of the directors in the share capital and warrants of the Company and its subsidiaries, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

(i) The Company

| Name of director | Number of ordinary shares held and nature of interest | | | Number of warrants held and nature of interest | | |
|------------------|---|------------------|----------|--|------------------|----------|
| | Personal | Corporate | | Personal | Corporate | |
| Chan Shu Kit | - | 114,240,000 | (note 1) | - | 22,848,000 | (note 1) |
| Kung Wing Yiu | 7,802,000 | - | | 1,560,400 | - | |
| Ng Wai | 658,000 | 5,847,000 | (note 2) | 131,600 | 1,169,400 | (note 2) |
| Chan Leung Huen | <u>1,350,000</u> | <u>5,530,000</u> | (note 3) | <u>270,000</u> | <u>3,106,000</u> | (note 3) |

(ii) Subsidiaries

(a) Long Yuet Investment Limited

| Name of director | Nature of interest | Number of non-voting deferred shares held |
|------------------|--------------------|---|
| Chan Shu Kit | Personal | 5,000 |
| Kung Wing Yiu | Personal | <u>5,000</u> |

(b) Conyick Investments Limited

| Name of director | Nature of interest | Number of non-voting deferred shares held |
|------------------|--------------------|---|
| Chan Shu Kit | Personal | 400,000 |
| Kung Wing Yiu | Personal | <u>50,000</u> |

Notes:

- These shares and warrants are held through Hoylake Holdings Limited, a company wholly-owned by Chan Shu Kit.
- These shares and warrants are held through Kemma Investment Limited, a company wholly-owned by Ng Wai and his family.
- These shares and warrants are held through Loong Yip Shing Investment Company Limited, a company wholly-owned by Chan Leung Huen and his wife.

In addition to the above, a director has non-beneficial personal equity interests 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, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interests in shares and warrants" above, 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 children under 18 years of age, 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.

At 30 September 2002, no options had been granted pursuant to the share option scheme of the Company.

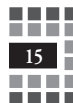
SUBSTANTIAL SHAREHOLDERS

At 30 September 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16 (1) of the SDI Ordinance:

| Name | Number of share held | Percentage of the Company's share capital |
|--------------------------|----------------------|---|
| Hoylake Holdings Limited | <u>114,240,000</u> | <u>38</u> |

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

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and warrants" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16 (1) of the SDI Ordinance.



SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 18 January 1993 (the “Scheme”), the Company can grant an option to any directors or employees of the Company or a subsidiary, to subscribe for shares of the Company. No share options have been granted by the Company under the Scheme since the adoption of the Scheme.

Except the Scheme, the Company or any of its subsidiaries have not adopted any schemes involving the grant by the Company or any of its subsidiaries of options over new shares or other new securities of the Company or any of its subsidiaries to, or for the benefit of, specified participants of such schemes.

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 2002.

AUDIT COMMITTEE

The Audit Committee, together with the management of the Group, has reviewed the standard accounting practice adopted by the Group as well as internal control systems and matters relating to financial reporting, including the review of unaudited condensed interim financial statements.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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.

On behalf of the Board
Chan Shu Kit
Chairman

Hong Kong
20 December 2002

