

德

Tack Hsin

興

德

興

集

團



TACK HSIN HOLDINGS LIMITED

德興集團有限公司

2 0 0 3

i n t e r i m

r e p o r t



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 2003 together with comparative figures as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2003

	Notes	(Unaudited)	
		For the six months ended 30 September	
		2003	2002
		HK\$'000	HK\$'000
<b>TURNOVER</b>	2	<b>73,187</b>	130,916
Other revenue and gains		<b>1,292</b>	1,074
Cost of inventories used		<b>(24,513)</b>	(47,388)
Staff costs		<b>(25,025)</b>	(45,900)
Rental expenses		<b>(4,608)</b>	(8,439)
Utilities expenses		<b>(8,524)</b>	(13,379)
Depreciation expenses		<b>(1,842)</b>	(4,404)
Other operating expenses		<b>(13,017)</b>	(30,905)
<b>LOSS FROM OPERATING ACTIVITIES</b>	2	<b>(3,050)</b>	(18,425)
Finance costs	3	<b>(7,004)</b>	(7,481)
Share of profits/(losses) of a jointly controlled entity		<b>(2)</b>	6,269
<b>LOSS BEFORE TAX</b>		<b>(10,056)</b>	(19,637)
Tax	4	<b>–</b>	(1,003)
<b>LOSS BEFORE MINORITY INTERESTS</b>		<b>(10,056)</b>	(20,640)
Minority interests		<b>–</b>	1,247
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>(10,056)</b>	(19,393)
<b>LOSS PER SHARE – BASIC</b>	5	<b>(3.32 cents)</b>	(6.46 cents)
<b>DIVIDEND</b>	6	<b>Nil</b>	Nil



## CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2003

		(Unaudited) 30 September 2003 HK\$'000	(Audited) 31 March 2003 HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		335,872	338,656
Interest in a jointly controlled entity		146	148
		<b>336,018</b>	<b>338,804</b>
<b>CURRENT ASSETS</b>			
Cash and bank balances		6,784	12,487
Trade receivables	7	1,250	620
Prepayments, deposits and other receivables		4,188	5,240
Tax recoverable		1	1
Inventories, at cost		1,529	2,575
Pledged bank deposits		6,197	6,179
		<b>19,949</b>	<b>27,102</b>
<b>CURRENT LIABILITIES</b>			
Bank and other borrowings	8	41,040	34,670
Finance lease payables		273	289
Trade payables	9	6,561	8,195
Other payables and accruals		9,136	14,367
Provision for long service payments		3,435	6,366
Tax payable		-	131
Amount due to a jointly controlled entity		1,738	2,240
		<b>62,183</b>	<b>66,258</b>
<b>NET CURRENT LIABILITIES</b>		<b>(42,234)</b>	<b>(39,156)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>293,784</b>	<b>299,648</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	8	239,208	241,076
Finance lease payables		-	130
		<b>239,208</b>	<b>241,206</b>
<b>MINORITY INTERESTS</b>		<b>3,445</b>	<b>3,555</b>
		<b>51,131</b>	<b>54,887</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	36,032	30,032
Reserves		15,099	24,855
		<b>51,131</b>	<b>54,887</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2003

		Issued share capital	Share premium account	Contributed surplus	Fixed asset revaluation reserve	Investment property revaluation reserve	Accumulated losses	Total
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2002		30,005	37,272	23,282	91,259	36,824	(98,780)	119,862
Issue of shares		27	362	-	-	-	-	389
Net loss for the year		-	-	-	-	-	(19,393)	(19,393)
At 30 September 2002		<u>30,032</u>	<u>37,634</u>	<u>23,282</u>	<u>91,259</u>	<u>36,824</u>	<u>(118,173)</u>	<u>100,858</u>
At 1 April 2003		30,032	37,634	23,282	71,370	27,024	(134,455)	54,887
Issue of shares	10	6,000	300	-	-	-	-	6,300
Transfer		-	-	-	(56,980)	56,980	-	-
Net loss for the year		-	-	-	-	-	(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>

\* These reserve accounts comprise the consolidated reserves of HK\$15,099,000 in the condensed consolidated balance sheet.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2003

	(Unaudited)	
	For the six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(10,575)	(6,361)
Net cash inflow from investing activities	1,348	8,184
Net cash inflow/(outflow) from financing activities	10,955	(2,542)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,728</b>	<b>(719)</b>
Cash and cash equivalents at beginning of period	(7,893)	755
<b>Cash and cash equivalents at end of period</b>	<b>(6,165)</b>	<b>36</b>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	6,784	14,149
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	6,197	6,153
Bank overdrafts	(19,146)	(20,266)
	<b>(6,165)</b>	<b>36</b>



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2003

### 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 2003, except that the Group has adopted the SSAP 12 (Revised) “Income taxes” which are effective for accounting periods commencing on or after 1 January 2003. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax). The adoption of SSAP 12 (Revised) has had no significant impact for these condensed consolidated interim financial statements.

## 2. SEGMENT INFORMATION

The following tables present revenue and results for the Group's business segments for the six months ended 30 September 2003:

(Unaudited)

	Restaurant		Property		Corporate		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Turnover	68,448	127,375	4,739	3,541	-	-	73,187	130,916
Other revenue	1,273	1,034	-	-	-	-	1,273	1,034
<b>Total</b>	<b>69,721</b>	<b>128,409</b>	<b>4,739</b>	<b>3,541</b>	<b>-</b>	<b>-</b>	<b>74,460</b>	<b>131,950</b>
Segment results	(4,349)	(12,619)	4,077	2,778	(2,797)	(8,624)	(3,069)	(18,465)
Interest income							19	40
Loss from operating activities							(3,050)	(18,425)
Finance costs							(7,004)	(7,481)
Share of profits/(losses) of a jointly controlled entity	-	-	(2)	6,269	-	-	(2)	6,269
Loss before tax							(10,056)	(19,637)
Tax							-	(1,003)
Loss before minority interests							(10,056)	(20,640)
Minority interests							-	1,247
Net loss from ordinary activities attributable to shareholders							(10,056)	(19,393)

### 3. FINANCE COSTS

	(Unaudited)	
	For the six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts, and other loans wholly repayable within five years	6,985	7,454
Interest on finance leases	19	27
	<b>7,004</b>	<b>7,481</b>

### 4. TAX

	(Unaudited)	
	For the six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Group	-	-
Share of tax attributable to a jointly controlled entity	-	(1,003)
Tax charge for the period	-	(1,003)

No provision for Hong Kong profits tax has been made as the Company had no assessable profits for 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\$10,056,000 (2002: HK\$19,393,000) and the weighted average of 302,813,423 (2002: 300,109,168) ordinary shares of the Company in issue during the period.

Diluted loss per share amounts for the periods ended 30 September 2003 and 2002 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 18 December 2003, the directors resolved not to pay any interim dividend (2002: 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 2003 HK\$'000	(Audited) 31 March 2003 HK\$'000
Within 3 months	1,226	577
4 to 6 months	<u>24</u>	<u>43</u>
Total	<u>1,250</u>	<u>620</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 2003, 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\$124,414,000 (31 March 2003: HK\$228,000,000), HK\$206,620,000 (31 March 2003: HK\$100,900,000) and HK\$6,197,000 (31 March 2003: HK\$6,179,000), 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 2003 HK\$'000	(Audited) 31 March 2003 HK\$'000
Within 3 months	6,443	7,382
4 to 6 months	77	401
7 to 12 months	1	240
Over 1 year	<u>40</u>	<u>172</u>
Total	<u>6,561</u>	<u>8,195</u>



## 10. SHARE CAPITAL

	(Unaudited) 30 September 2003 <i>HK\$'000</i>	(Audited) 31 March 2003 <i>HK\$'000</i>
Authorised:		
500,000,000 ordinary shares of HK\$0.10 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
360,321,620 (31 March 2003: 300,321,620) shares of HK\$0.10 each	<u>36,032</u>	<u>30,032</u>

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

	Carrying amount <i>HK\$'000</i>	Shares issued
At 31 March 2003	30,032	300,321,620
Placing of new shares	<u>6,000</u>	<u>60,000,000</u>
At 30 September 2003	<u>36,032</u>	<u>360,321,620</u>

## 11. CONTINGENT LIABILITIES

At the balance sheet date, the Group had bank guarantees given in lieu of utility and property rental deposits amounting to HK\$3,338,000 (31 March 2003: HK\$3,776,000).

## 12. RELATED PARTY TRANSACTIONS

During the period, the Group paid rental expenses in aggregate of HK\$196,000 (2002: HK\$1,575,000) 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. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 18 December 2003.



## RESULTS

For the first half of the year, the Group recorded an unaudited consolidated turnover of HK\$73,187,000 (2002: HK\$130,916,000) and an unaudited consolidated net loss from ordinary activities attributable to shareholders of HK\$10,056,000 (2002: HK\$19,393,000). The Directors has resolved not to declare any interim dividend (2002: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Happy Valley Branch and Causeway Bay Branch were closed successively in April and June 2003.

The outbreak of Severe Acute Respiratory Syndrome (“SARS”) since late March this year had a considerable impact on the Group’s business during the period from April to June. Thanks to the subsequent Solo-tour policy in Mainland China which resulted in an increased number of tourists visiting Hong Kong, the Group’s turnover showed significant improvement since July.

As compared with the corresponding period of last year, the Group’s unaudited consolidated turnover and unaudited consolidated net loss from ordinary activities attributable to shareholders decreased by HK\$57,729,000 and HK\$9,337,000 respectively. This was mainly attributable to termination of unprofitable restaurant operations, tight cost control and streamlining workforce.

As regards properties, the Causeway Bay Branch was closed and the owned properties were leased to a third party during period under review, bringing steady cash flow to the Group. Meanwhile, rental income from other properties during the period also remained stable.

### Liquidity and financial resources

As at 30 September 2003, the Group’s bank balance and cash, including pledged bank deposits, amounted to approximately HK\$12,981,000.

As at 30 September 2003, the Group had bank and other borrowings of approximately HK\$280,248,000 (31 March 2003: HK\$275,746,000) at interest rates with reference to HK dollar prime rate, which were secured by certain of the Group’s properties. Shareholders’ equity was 51,131,000 (31 March 2003: HK\$54,887,000), while ratio of non-current liabilities to shareholders equity was 4.68 (31 March 2003: 4.39).

The Group placed 60,000,000 new shares in July and raised a net proceed of HK\$6,207,000 for general working capital.

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 2003, the Group had 420 employees. Remuneration policy was regularly reviewed during the year by reference to prevailing market practices.

There was no share option scheme established for employees by the Group during the six months ended 30 September 2003.

### Outlook

To introduce new dishes, the Group renovated its “Dim Sum Restaurant” in Kowloon City and carried out additional Chongqing Hot Pot operation with an independent third party this November. The Group held 67% of the investment interest therein.

With a remarkable improvement in recent consumer sentiment, the Group opened a branch Macau Style Café with an independent third party in Metropole City Plaza, Tseung Kwan O in early December. The café has commenced operation. The Group held 33% of the investment interest therein.

Being optimistic of Hong Kong’s future economy, the Group will actively involve in the market and keep a close eye on its development.

## DIRECTORS’ INTERESTS IN SHARES AND WARRANTS

As at 30 September 2003, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register maintained 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### (1) Long positions in shares and warrants of the Company

#### (i) Ordinary Shares

Name of director	Number of ordinary shares held and nature of interest			Percentage of the Company’s issued capital
	Personal	Corporate	Total	
Chan Shu Kit (note 1)	–	114,240,000	114,240,000	31.70%
Kung Wing Yiu	7,802,000	–	7,802,000	2.16%
Chan Leung Huen (note 2)	1,350,000	5,530,000	6,880,000	1.90%

(ii) Warrants

Name of director	Number of warrants held and nature of interest			Percentage of the Company's issued capital
	Personal	Corporate	Total	
Chan Shu Kit (note 1)	–	22,848,000	22,848,000	6.34%
Kung Wing Yiu	1,560,400	–	1,560,400	0.43%
Chan Leung Huen (note 2)	270,000	3,106,000	3,376,000	0.93%

(2) Long positions in shares of the associated corporations

(a) Long Yuet Investment Limited

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

(b) Conyick Investments Limited

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

Notes:

1. These shares and warrants are held through Hoylake Holdings Limited, a company wholly-owned by Chan Shu Kit.
2. These shares and warrants 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, Tack Hsin 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 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, chief executives or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO as at 30 September 2003.

## 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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Nature of interest		Number of ordinary shares/ underlying shares held			Percentage of the Company’s issued capital
			Ordinary Shares	Warrants	Total	
Hoylake Holdings Limited (note 1)	Direct	Long position	114,240,000	22,848,000	137,088,000	38.04%
TH2 Holding LLC (note 2)	Direct	Long position	17,544,000	–	17,544,000	5.80%

Notes:

1. This interest has also been disclosed as an interest of Chan Shu Kit under the section “Directors’ interests in shares and warrants” above.



2. The Company had completed a placing of 60,000,000 new shares during the period. The shares held by TH2 Holding LLC represents 4.86% of the Company's existing issued share capital as enlarged by the placing.

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

## SHARE OPTION SCHEME

The Company's share option scheme adopted on 18 January 1993 ceased to be effective from 18 January 2003. No share option had been granted under the share option scheme.

## 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 2003.

## 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 consolidated 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  
18 December 2003