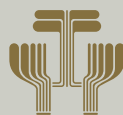


# TACK HSIN HOLDINGS LIMITED



德興集團

INTERIM REPORT 2005

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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors:*

Mr. Chan Shu Kit (*Chairman*)  
Mr. Kung Wing Yiu (*Deputy Chairman*)  
Mr. Chan Ho Man

#### *Independent non-executive Directors:*

Mr. Kung Fan Cheong  
Mr. Chan Ka Ling, Edmond  
Mr. Lo Kin Cheung

### Company Secretary

Mr. Tam Cheuk Ho

### Principal Bankers

Liu Chong Hing Bank Limited  
HSBC Holdings Plc

### Auditors

Ernst & Young  
*Certified Public Accountants*  
18th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

### Hong Kong Legal Adviser

Richards Butler  
19th Floor  
Alexandra House  
Central  
Hong Kong

### Bermuda Legal Adviser

Conyers, Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### Hong Kong Share Registrars

Tengis Limited  
Ground Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

### Registered Office

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

### Hong Kong Principal Office

Unit 1203 12/F  
Peninsula Centre  
67 Mody Road  
Tsim Sha Tsui East  
Kowloon  
Hong Kong

The board of directors (the "Board") of Tack Hsin Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2005 together with comparative figures as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2005

		For the six months ended 30 September	
	Notes	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
TURNOVER	3	59,258	65,165
Other revenue and gains		639	732
Cost of inventories used		(20,261)	(22,254)
Staff costs		(21,644)	(21,825)
Rental expenses		(7,852)	(3,235)
Utilities expenses		(6,247)	(6,499)
Depreciation expenses		(968)	(1,647)
Other operating expenses		(11,532)	(11,520)
Surplus arising from revaluation of leasehold land and buildings		414	—
Surplus arising from revaluation of investment properties		2,800	—
Loss arising from changes in fair value of an available for sale investment		(131)	—
Finance costs	4	(300)	(5,816)
Share of profits of:			
A jointly controlled entity		41	316
Associates		193	—
LOSS BEFORE TAX		(5,590)	(6,583)
Tax	5	(567)	178
LOSS FOR THE PERIOD		<u>(6,157)</u>	<u>(6,405)</u>
ATTRIBUTABLE TO:			
Equity holders of the parent		(6,198)	(6,770)
Minority interests		41	365
		<u>(6,157)</u>	<u>(6,405)</u>
BASIC LOSS PER SHARE	6	<u>(1.72 cents)</u>	<u>(1.88 cents)</u>
DIVIDEND PER SHARE	7	<u>Nil</u>	<u>Nil</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

30 September 2005

	<i>Notes</i>	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Restated) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets:			
Property, plant and equipment	8	15,002	13,523
Investment properties		46,600	43,800
Property held for development		4,665	4,665
Interest in a jointly controlled entity		876	943
Interests in associates		5,903	5,295
Long term investment		–	2,700
		<u>73,046</u>	<u>70,926</u>
<b>CURRENT ASSETS</b>			
Inventories, at cost		4,370	1,796
Available for sale investment	9	2,866	–
Trade receivables	10	1,196	965
Prepayments, deposits and other receivables		8,127	6,527
Cash and bank balances		40,809	56,727
		<u>57,368</u>	<u>66,015</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	4,007	5,851
Tax payable		227	467
Other payables and accruals		11,346	7,342
Bank borrowings	12	881	420
Provision for long service payments		2,898	2,898
Amount due to minority shareholders		1,689	1,689
		<u>21,048</u>	<u>18,667</u>
<b>NET CURRENT ASSETS</b>		<u>36,320</u>	<u>47,348</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>109,366</u>	<u>118,274</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	12	11,309	11,473
Deferred tax		3,718	3,159
Total non-current liabilities		<u>15,027</u>	<u>14,632</u>
		<u>94,339</u>	<u>103,642</u>

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

30 September 2005

	<i>Notes</i>	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Restated) HK\$'000
<b>CAPITAL AND RESERVES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	13	36,032	36,032
Other reserves	14	61,376	62,479
Retained profits/(accumulated losses)	14	(3,164)	1,474
Proposed final dividend		—	3,603
		<hr/> 94,244	<hr/> 103,588
<b>Minority interests</b>	14	<hr/> 95	<hr/> 54
		<hr/> <b>94,339</b>	<hr/> <b>103,642</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

		For the six months ended 30 September	
	Notes	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
<b>Total equity at 1 April:</b>			
As previously reported as equity		106,747	59,993
As previously reported separately as minority interests		54	57
		<hr/>	<hr/>
		106,801	60,050
Prior period and opening adjustments	1, 2	(2,832)	(981)
		<hr/>	<hr/>
As restated		103,969	59,069
<b>Changes in equity during the period:</b>			
Changes in fair value of an available for sale investment			
	14	(30)	—
Surplus on revaluation	14	160	19,000
		<hr/>	<hr/>
Net income recognised directly in equity		130	19,000
Loss for the period	14	(6,157)	(6,405)
		<hr/>	<hr/>
Total recognised income and expense for the period		(6,027)	12,595
Dividend payable to shareholders	14	(3,603)	—
		<hr/>	<hr/>
Total equity at 30 September		<u>94,339</u>	<u>71,664</u>
<b>Total recognised income and expense for the period attributable to:</b>			
Equity holders of the parent		(6,068)	12,230
Minority interests		41	365
		<hr/>	<hr/>
		(6,027)	12,595
		<hr/>	<hr/>
<b>Effects of prior period and opening adjustments attributable to:</b>			
Equity holders of the parent		(2,832)	(981)
Minority interests		—	—
		<hr/>	<hr/>
		(2,832)	(981)
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	For the six months ended 30 September	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	(14,003)	9,423
Net cash inflow/(outflow) from investing activities	(1,912)	58,881
Net cash outflows from financing activities	(506)	(51,596)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(16,421)</b>	<b>16,708</b>
Cash and cash equivalents at beginning of period	56,727	(13,605)
<b>Cash and cash equivalents at end of period</b>	<b>40,306</b>	<b>3,103</b>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	40,809	6,471
Bank overdrafts	(503)	(3,368)
	<b>40,306</b>	<b>3,103</b>



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2005

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cast Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provision, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 18, 19, 21, 23, 24, 27, 28, 33, 36, 37, 38, HKFRS 2, 3 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

### (a) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land premiums/land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings. The comparatives on the condensed consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land.

### (b) HKAS 32 and HKAS 39 – Financial Instruments

In prior period, the Group classified its unlisted convertible note as long term investment which was held for non-trading purposes and was stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, the convertible note is classified as available for sale investment. Available for sale investment is the non-derivative investment in listed and unlisted equity securities that is designated as available for sale or is not classified as loan and receivable, held-to-maturity investment or financial asset at fair value through profit or loss. After initial recognition, available for sale investment is measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investment where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and option pricing models.

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment; or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

The Group assesses at each balance sheet date whether there is any objective evidence that an available for sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES** *(continued)*

(b) **HKAS 32 and HKAS 39 – Financial Instruments** *(continued)*

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement. The amount of the loss recognised in the income statement shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available for sale investment previously recognised in the income statement.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(c) **HKAS 40 – Investment Property**

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements. The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements.

(d) **HK(SIC)-Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets**

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

## 2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarised as follows:

## (a) Effect on opening balance of total equity at 1 April 2005

Effect of new policies Increase/(decrease)	Share premium account	Contributed surplus	Fixed asset revaluation reserve	Investment property revaluation reserve	Investment reserve	Retained profits/ (accumulated losses)	Proposed final dividend	Total
<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Prior period adjustments:								
HK(SIC)-Int 21								
Deferred tax arising from revaluation of investment properties	<i>1(d)</i>	-	-	-	-	(3,159)	-	(3,159)
Net decrease in total equity before opening adjustments		-	-	-	-	(3,159)	-	(3,159)
Opening adjustments:								
HKASs 32 and 39								
In respect of changes in fair value of an available for sale investment	<i>1(b)</i>	-	-	-	30	297	-	327
HKAS 40								
In respect of surplus on revaluation of investment properties	<i>1(c)</i>	-	-	-	(1,263)	1,263	-	-
Total effect at 1 April 2005		-	-	-	30	(1,599)	-	(2,832)

## 2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

## (b) Effect on opening balance of total equity at 1 April 2004

Effect of new policies Increase/(decrease)	Notes	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Fixed asset revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Investment reserve (Unaudited) HK\$'000	Retained profits/(accumulated losses) (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Prior period adjustments: HK(SIC)-Int 21 Deferred tax arising from revaluation of investment properties	1(d)	-	-	-	-	-	(981)	-	(981)
Total effect at 1 April 2004		-	-	-	-	-	(981)	-	(981)

The following tables summarise the impact on loss after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six-month periods ended 30 September 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKAs 39, 40 and HKFRS 3, the amounts shown for the six months period ended 30 September 2004 may not be comparable to the amounts shown for the current interim period.

## (c) Effect on loss after tax for the six months ended 30 September 2005 and 2004

Effect of new policies Increase/(decrease)	Notes	2005			2004		
		Equity holders of the parent (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Equity holders of the parent (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Effect on loss after tax: HKAs 32 and 39 In respect of changes in fair value of an available for sale investment	1(b)	(131)	-	(131)	-	-	-
HKAS 40 Surplus on revaluation of investment properties	1(c)	2,800	-	2,800	-	-	-
HK(SIC)-Int 21 Deferred tax arising from revaluation of investment properties	1(d)	(559)	-	(559)	178	-	178
Total effect for the period		2,110	-	2,110	178	-	178
Effect on basic loss per share:		HK0.58 cents			HK0.05 cents		

## 2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

## (d) Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 September 2005 and 2004

Effect of new policies Increase/ (decrease)	Notes	For the six months ended 30 September					
		2005			2004		
		Equity holders of the parent (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Equity holders of the parent (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
HKASs 32 and 39 In respect of changes in fair value of an available for sale investment	1(b)	(30)	-	(30)	-	-	-
HKAS 40 Surplus on revaluation of investment properties no longer recognised in reserve	1(c)	<u>(2,800)</u>	<u>-</u>	<u>(2,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total effect for the period		<u><u>(2,830)</u></u>	<u><u>-</u></u>	<u><u>(2,830)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

## 3. SEGMENT INFORMATION

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's business segments for the six months ended 30 September 2005 and 2004.

	2005				2004			
	Restaurant (Unaudited)	Property (Unaudited)	Corporate (Unaudited)	Consolidated (Unaudited)	Restaurant (Unaudited)	Property (Unaudited)	Corporate (Unaudited)	Consolidated (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Turnover	58,932	326	-	59,258	61,162	4,003	-	65,165
Other revenue	32	339	-	371	732	-	-	732
<b>Total</b>	<b>58,964</b>	<b>665</b>	<b>-</b>	<b>59,629</b>	<b>61,894</b>	<b>4,003</b>	<b>-</b>	<b>65,897</b>
Segment results	(4,691)	3,125	(4,226)	(5,792)	(924)	3,525	(3,684)	(1,083)
Interest income				268				-
Finance costs				(300)				(5,816)
Share of profits of:								
A jointly controlled entity	41	-	-	41	316	-	-	316
Associates	193	-	-	193	-	-	-	-
Loss before tax				(5,590)				(6,583)
Tax				(567)				178
Loss for the period				(6,157)				(6,405)

## 4. FINANCE COSTS

For the six months  
ended 30 September

	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest on bank loans and overdrafts, and other loans wholly repayable within five years	300	5,812
Interest on finance leases	-	4
	<b>300</b>	<b>5,816</b>

## 5. TAX

For the six months  
ended 30 September

	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
Current – Underprovision of Hong Kong profits tax in prior years	8	–
Deferred	559	(178)
	<hr/>	<hr/>
Total tax charge/(credit) for the period	<u>567</u>	<u>(178)</u>

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 (2004: Nil).

## 6. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the loss attributable to equity holders of the parent of HK\$6,198,000 (six months ended 30 September 2004: HK\$6,770,000 (as restated)), and the 360,321,620 ordinary shares of the Company in issue during the period.

Diluted loss per share amounts for the periods ended 30 September 2005 and 2004 have not been disclosed as no diluting events existed during the periods.

## 7. DIVIDEND

At a meeting of the board of directors held on 19 December 2005, the directors resolved not to pay any interim dividend to shareholders (2004: Nil). Accordingly, no closure of Register of Members of the Company is proposed.

## 8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the group incurred approximately HK\$1,873,000 (2004: HK\$1,018,000) on the acquisition of property, plant and equipments.

## 9. AVAILABLE FOR SALE INVESTMENT

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Unaudited) HK\$'000
Unlisted convertible note, at fair value	<u>2,866</u>	<u>–</u>



## 10. TRADE RECEIVABLES

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

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Within 3 months	926	572
4 to 6 months	230	173
7 to 12 months	2	170
Over 1 year	38	50
	<hr/>	<hr/>
Total	<u>1,196</u>	<u>965</u>

The Group's trading terms with customers are mainly by 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.

## 11. TRADE PAYABLES

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

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Within 3 months	3,686	5,791
4 to 6 months	270	18
7 to 12 months	10	-
Over 1 year	41	42
	<hr/>	<hr/>
Total	<u>4,007</u>	<u>5,851</u>

## 12. BANK BORROWINGS

At 30 September 2005, certain of the bank borrowings were secured by the Group's leasehold land and buildings and investment properties with a carrying value of HK\$3,700,000 (31 March 2005: HK\$3,500,000) and HK\$29,100,000 (31 March 2005: HK\$27,300,000), respectively, and guarantees given by the Company.

## 13. SHARE CAPITAL

Authorised:  
500,000,000 ordinary shares of HK\$0.10 each

Issued and fully paid:  
360,321,620 shares of HK\$0.10 each

30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
<u>50,000</u>	<u>50,000</u>
<u>36,032</u>	<u>36,032</u>

## 14. RESERVES

	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Fixed asset revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Investment reserve (Unaudited) HK\$'000	Retained profits/ (accumulated losses) Total (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	
At 1 April 2004:									
As previously reported	37,934	23,282	20,092	57,717	-	139,025	(115,064)	-	57
Prior period adjustment: (notes 1 & 2)									
HK(SIC)- Int 21									
Deferred tax arising from revaluation of investment properties	-	-	-	-	-	-	(981)	-	-
As restated	37,934	23,282	20,092	57,717	-	139,025	(116,045)	-	57
Surplus on revaluation of investment properties	-	-	12,000	7,000	-	19,000	-	-	-
Profit/(loss) for the period (as restated)	-	-	-	-	-	-	(6,770)	-	365
At 30 September 2004 and 1 October 2004 (as restated)	37,934	23,282	32,092	64,717	-	158,025	(122,815)	-	422
Surplus on revaluation of investment properties	-	-	4,926	11,807	-	16,733	-	-	-
Disposal of investment properties	-	-	-	(75,261)	-	(75,261)	56,981	-	-
Disposal of leasehold land and buildings	-	-	(37,018)	-	-	(37,018)	37,018	-	-
Profit/(loss) for the period (as restated)	-	-	-	-	-	-	33,893	-	(368)
Proposed 2005 final dividend	-	-	-	-	-	-	(3,603)	3,603	-
At 31 March 2005 (as restated)	<u>37,934</u>	<u>23,282</u>	<u>-</u>	<u>1,263</u>	<u>-</u>	<u>62,479</u>	<u>1,474</u>	<u>3,603</u>	<u>54</u>

## 14. RESERVES (continued)

	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Fixed asset revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Investment reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Retained profits/ (accumulated losses) (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000
At 1 April 2005:									
As previously reported	37,934	23,282	-	1,263	-	62,479	4,633	3,603	54
Prior period adjustment: (notes 1 & 2)									
HK(SIC)-Int 21									
Deferred tax arising from revaluation of investment properties	-	-	-	-	-	-	(3,159)	-	-
As restated, before opening adjustments	37,934	23,282	-	1,263	-	62,479	1,474	3,603	54
Opening adjustments: (notes 1 & 2)									
HKASs 32 & 39 - In respect of an available for sale investment	-	-	-	-	30	30	297	-	-
HKAS 40 - In respect of investment properties	-	-	-	(1,263)	-	(1,263)	1,263	-	-
As restated, after opening adjustments	37,934	23,282	-	-	30	61,246	3,034	3,603	54
Changes in fair value of an available for sale investment	-	-	-	-	(30)	(30)	-	-	-
Surplus on revaluation of leasehold land and buildings	-	-	160	-	-	160	-	-	-
Dividend payable to shareholders	-	-	-	-	-	-	-	(3,603)	-
Profit/(loss) for the period	-	-	-	-	-	-	(6,198)	-	41
At 30 September 2005	37,934	23,282	160	-	-	61,376	(3,164)	-	95

## 15. CONTINGENT LIABILITIES

At the balance sheet date, the Group had a bank guarantee given in lieu of a property rental deposit amounting to HK\$1,000,000 (31 March 2005: HK\$1,000,000).

## 16. RELATED PARTY TRANSACTIONS

## (a) Transactions with related parties

	Notes	For the six months ended 30 September	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Transactions with a jointly controlled entity:			
Management fee income received	(i)	308	—
Transactions with a director:			
Rental expenses paid	(ii)	36	62

Notes:

- (i) The Group received management fee income from a jointly controlled entity for management service provided by the Group. The management fee was determined based on mutual agreement.
- (ii) The Group paid rental expenses 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.
- (b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
A jointly controlled entity	522	630	—	—
Associated companies	5,546	5,131	—	—
Minority shareholders	—	—	1,689	1,689

16. RELATED PARTY TRANSACTIONS *(continued)*

## (c) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Short term employee benefits	884	754
Post-employment benefits	21	15
Other long term employee benefits	—	9
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b>905</b>	<b>778</b>

## 17. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed interim financial statements were approved and authorised for issue by the board of directors on 19 December 2005.

## RESULTS

For the first half of the year, the Group recorded an unaudited consolidated turnover of HK\$59,258,000 (2004: HK\$65,165,000) and an unaudited consolidated net loss from ordinary activities attributable to equity holders of the parent of HK\$6,198,000 (2004: HK\$6,770,000). The Directors have resolved not to declare any interim dividend (2004: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

Benefited from the continuous substantial reviving of Hong Kong's economy recently, coupled with the rising number of travellers visiting Hong Kong, which brings 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 equity holders of the parent decreased by HK\$5,907,000 and HK\$572,000 respectively as compared with last year. The narrowing down of loss was mainly attributed to the result of stringent cost control measures and the streamlining of our work force.

Cost control of restaurants has always been a major concern. In prior years, the Group continued to strengthen control on production cost. The gross profit margin during the period was at 65%, which was 1% higher than that of last year. Currently, the Group has adequate cash and there is not any pressure on cash flow.

At the beginning of the financial year, the Group carried out renovation of its restaurants to prepare for a better operating condition in the second half year. The renovation expenses are over HK\$4 million. The Group believes that the competitiveness of each restaurant should be strengthened accordingly and more decorative elements and featured atmosphere were thus added for customers. The branded "Yau Gwat Hei" restaurant group opened one more restaurant named "Lucky Rice" in Tsim Sha Tsui in June this year. This restaurant features new dishes as well as diversified and delicate cuisines to suit the taste of young and fashionable customers and satisfactory progress on its performance has been attained.

### Property investment

The Group is now working out a feasible plan for the development of a land in Lantau Island acquired lately, which could be used for property development or residential buildings redevelopment. It is expected that the recent performance of the property market will bring better profit for the Group.

In addition, the Group not only believes that tourists of Individual Visit will promote local commercial opportunities, but we are also confident about the future of the hotel industry. The Group has entered into a tenancy agreement for leasing of a commercial building in the centre of Mongkok in June 2005 with leasing term of ten years. The property is right behind Langham Place and can be transformed into a hotel with over 50 rooms. The target customers are mainly tourists of Individual Visit. The expected investment amount is approximately HK\$6 million. This hotel project is subject to the approval by relevant authorities. The expected construction period of this project is about 9 months to a year.

## Liquidity and financial resources

As at 30 September 2005, the Group's bank balance and cash amounted to approximately HK\$40,809,000.

On 30 September 2005, certain of the Group's properties were pledged to secure bank and other borrowings of approximately HK\$12,190,000 (31 March 2005: HK\$11,893,000). All interests expenses on borrowings are determined by reference to the Hong Kong prime rates. Shareholder's fund amounted to HK\$94,339,000 (31 March 2005: HK\$103,642,000). The ratio of non-current liabilities to shareholder's equity was 0.16 (31 March 2005: 0.14).

The Group's bank borrowings, bank balance and cash are mainly denominated in Hong Kong dollars, and hence the Group is not exposed to exchange risk.

## Contingent liability

As at the balance sheet date, the Group had given bank guarantees in lieu of a property rental deposit amounting to HK\$1,000,000 (31 March 2005: HK\$1,000,000).

## Number of employees and remuneration policy

As at 30 September 2005, the Group had 374 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 2005.

## Outlook

Seeing a steady recovery trend in the local economy and a significant drop in unemployment rate, the Group believed that the local consumer spending will grow steadily and it is confident in its future operations. The Group will enhance its marketing activities and actively put more resources in the market, with an aim to maintain its market share.

The Group has recently found a shop in Wan Chai, which is suitable for restaurant operation. The Group has agreed with the landlord for the leasing terms, with leasing term of eight years. The expected investment amount is HK\$7,500,000. This restaurant is expected to be opened in January next year.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2005, the interests and short positions of the directors in the shares, underlying shares and debentures 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 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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
	Personal	Corporate		
Chan Shu Kit ( <i>note 1</i> )	–	114,240,000	114,240,000	31.70%
Kung Wing Yiu	7,802,000	–	7,802,000	2.16%

### (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	Personal	Non-voting deferred	5,000	50%
Chan Shu Kit ( <i>note 2</i> )	Corporate	Ordinary	100	100%
Kung Wing Yiu	Personal	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	Personal	Non-voting deferred	400,000	66.66%
Chan Shu Kit ( <i>note 2</i> )	Corporate	Ordinary	100	100%
Kung Wing Yiu	Personal	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. 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 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, or as otherwise notified to the Company and the Stock exchange pursuant to the Model Code as at 30 September 2005.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares" 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 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 2005, the interests or short positions of every person, other than the directors 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	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Hoylake Holdings Limited ( <i>note</i> )	Direct Long position	114,240,000	31.70%
TH2 Holding LLC	Direct Long position	17,544,000	4.86%

*Notes:*

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

Save as disclosed above, as at 30 September 2005, no person, other than the directors whose interests are set out in the section headed "Directors' interests and short positions in shares" 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.

## **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 2005.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period covered by the interim report, except for the deviations as mentioned below.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Chan Shu Kit currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Under the current Bye-laws of the Company, any director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Board considers that it is not necessary for the directors so appointed to retire at the first general meeting.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Having made specific enquiry of all directors of the Company, they confirmed that they have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

## **AUDIT COMMITTEE**

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. 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 unaudited interim financial statements for the six months ended 30 September 2005 have been reviewed by the Audit Committee.

## REMUNERATION COMMITTEE

The Company has a remuneration committee (the “Remuneration Committee”) which was established with specific written terms of reference in line with the code provisions in the Code. The Remuneration Committee consists of four 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, and Mr. Chan Shu Kit, executive director of the Company. The Remuneration Committee is chaired by the independent non-executive director of the Company, Mr. Chan Ka Ling, Edmond. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for all remuneration of directors and senior management, reviewing and/or determining the specific remuneration packages of all directors.

On behalf of the Board

**Chan Shu Kit**

*Chairman*

Hong Kong

19 December 2005