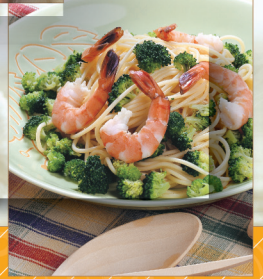




**TACK HSIN HOLDINGS LIMITED**

Stock Code: 00611

*Interim Report 2008/09*



UNCOMPROMISING QUALITY



## **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

### **Audit Committee**

Mr. Chan Ka Ling, Edmond (*Chairman*)  
Mr. Kung Fan Cheong  
Mr. Lo Kin Cheung

### **Remuneration Committee**

Mr. Chan Ka Ling, Edmond (*Chairman*)  
Mr. Chan Shu Kit  
Mr. Kung Fan Cheong  
Mr. Lo Kin Cheung

### **Company Secretary**

Mr. Tam Cheuk Ho

### **Principal Bankers**

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**

Tricor Tengis Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
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

### **Stock Code**

611

The board of directors (the “Board”) of Tack Hsin Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2008, together with the comparative figures. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		For the six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	2	124,637	116,831
Other income and gains		2,627	2,943
Cost of inventories used		(43,803)	(40,455)
Staff costs		(37,859)	(35,732)
Rental expenses		(15,506)	(13,378)
Utilities expenses		(10,755)	(10,413)
Depreciation		(2,605)	(2,475)
Other operating expenses		(17,206)	(16,926)
Finance costs	3	(239)	(511)
Share of profit of a jointly-controlled entity		—	31
LOSS BEFORE TAX	4	(709)	(85)
Tax	5	(300)	—
LOSS FOR THE PERIOD		<u>(1,009)</u>	<u>(85)</u>
Attributable to:			
Equity holders of the parent		(1,057)	(275)
Minority interests		48	190
		<u>(1,009)</u>	<u>(85)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
BASIC	6	<u>(0.29 cents)</u>	<u>(0.08 cents)</u>
DIVIDEND	7	<u>3,603</u>	—

## CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2008

		<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	28,687	23,146
Investment properties		25,000	25,000
Prepaid land lease payments		7,326	4,845
Property held for development		4,665	4,665
Deferred tax assets, net		1,783	2,083
Total non-current assets		<u>67,461</u>	<u>59,739</u>
<b>CURRENT ASSETS</b>			
Inventories		7,817	6,255
Trade receivables	9	803	484
Prepayments, deposits and other receivables		15,613	13,712
Cash and cash equivalents		33,097	51,484
Total current assets		<u>57,330</u>	<u>71,935</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	5,959	5,134
Other payables and accruals		19,782	18,577
Interest-bearing bank borrowings	11	521	509
Provision for long service payments		2,493	1,256
Dividend payable		3,620	-
Total current liabilities		<u>32,375</u>	<u>25,476</u>
<b>NET CURRENT ASSETS</b>		<u>24,955</u>	<u>46,459</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>92,416</u>	<u>106,198</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	11	9,971	10,235
Total non-current liabilities		<u>9,971</u>	<u>10,235</u>
Net assets		<u>82,445</u>	<u>95,963</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		36,032	36,032
Reserves		46,059	50,617
Proposed final dividend		-	9,008
<b>Minority interests</b>		<u>82,091</u>	<u>95,657</u>
		354	306
Total equity		<u>82,445</u>	<u>95,963</u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the parent								
	Issued share capital	Share premium account	Contributed surplus	Fixed asset revaluation reserve	Retained profits/ losses (accumulated)	Proposed final dividend	Total	Minority interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	36,032	37,934	5,266	348	7,069	9,008	95,657	306	95,963
Surplus arising from revaluation	-	-	-	102	-	-	102	-	102
Profit/(loss) for the period	-	-	-	-	(1,057)	-	(1,057)	48	(1,009)
Total income and expense for the period	-	-	-	102	(1,057)	-	(955)	48	(907)
Final 2008 dividend declared	-	-	-	-	-	(9,008)	(9,008)	-	(9,008)
Interim dividend (note 7)	-	-	(3,603)	-	-	-	(3,603)	-	(3,603)
At 30 September 2008	<b>36,032</b>	<b>37,934</b>	<b>1,663</b>	<b>450</b>	<b>6,012</b>	<b>-</b>	<b>82,091</b>	<b>354</b>	<b>82,445</b>
At 1 April 2007	36,032	37,934	14,274	16	(6,212)	5,405	87,449	140	87,589
Surplus arising from revaluation	-	-	-	336	-	-	336	-	336
Profit/(loss) for the period	-	-	-	-	(275)	-	(275)	190	(85)
Total income and expense for the period	-	-	-	336	(275)	-	61	190	251
Final 2007 dividend declared	-	-	-	-	-	(5,405)	(5,405)	-	(5,405)
At 30 September 2007	<b>36,032</b>	<b>37,934</b>	<b>14,274</b>	<b>352</b>	<b>(6,487)</b>	<b>-</b>	<b>82,105</b>	<b>330</b>	<b>82,435</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash inflow from operating activities	1,487	1,804
Net cash outflow from investing activities	(10,385)	(6,973)
Net cash outflow from financing activities	(9,489)	(5,796)
Net decrease in cash and cash equivalents	(18,387)	(10,965)
Cash and cash equivalents at beginning of period	51,484	28,667
Cash and cash equivalents at end of period	33,097	17,702
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	15,597	13,845
Non-pledged time deposits with original maturity of less than three months when acquired	17,500	6,000
Bank overdrafts	-	(2,143)
	33,097	17,702

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2008

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The 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 consistent with those used in the annual audited financial statements for the year ended 31 March 2008, 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:

HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The adoption of the above new and revised HKFRSs has no material impact on the Group’s results of operations and financial position.



**2. SEGMENT INFORMATION**

The Group's operating businesses 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 2008 and 2007.

	Restaurant		Hotel		Property		Corporate		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Revenue	120,929	115,498	3,306	917	402	416	-	-	124,637	116,831
Other income and gains	998	122	58	-	1,350	2,530	-	-	2,406	2,652
Total	<u>121,927</u>	<u>115,620</u>	<u>3,364</u>	<u>917</u>	<u>1,752</u>	<u>2,946</u>	<u>-</u>	<u>-</u>	<u>127,043</u>	<u>119,483</u>
Segment results	<u>3,951</u>	<u>4,607</u>	<u>343</u>	<u>(1,841)</u>	<u>1,225</u>	<u>2,684</u>	<u>(6,210)</u>	<u>(5,346)</u>	<u>(691)</u>	<u>104</u>
Interest income									221	291
Finance costs									(239)	(511)
Share of profit of a jointly-controlled entity	-	31	-	-	-	-	-	-	-	31
Loss before tax									(709)	(85)
Tax									(300)	-
Loss for the period									<u>(1,009)</u>	<u>(85)</u>

**3. FINANCE COSTS**

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	239	504
Interest on finance leases	-	7
	<u>239</u>	<u>511</u>

#### 4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Recognition of prepaid land lease payments	51	40
Deficit arising from revaluation of buildings	11	8
Write back of deposits for disposal of property held for development	(1,350)	–
Write back of an amount due to a minority shareholder	–	(1,430)
Fair value gains on investment properties	–	(1,100)
Gain on disposal of associates	–	(39)
	<u>–</u>	<u>(39)</u>

#### 5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made in prior period as the Group did not generate any assessable profits arising in Hong Kong during prior period.

	For the six months ended 30 September	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Deferred	<u>300</u>	<u>–</u>

#### 6. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the unaudited loss for the period attributable to ordinary equity holders of the parent of approximately HK\$1,057,000 (2007: HK\$275,000), 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 2008 and 2007 have not been disclosed as no diluting events existed during the periods.

## 7. DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent (2007: Nil) per ordinary share in issue in respect of the six months ended 30 September 2008 payable on 19 January 2009 to shareholders whose names are on the Register of Members of the Company on 6 January 2009.

## 8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$8,054,000 (2007: HK\$6,953,000) on the acquisition of property, plant and equipment.

## 9. TRADE RECEIVABLES

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

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Within 3 months	734	441
4 to 6 months	21	43
7 to 12 months	<u>48</u>	<u>—</u>
Total	<u><b>803</b></u>	<u>484</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. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

**10. TRADE PAYABLES**

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

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Within 3 months	<b>5,959</b>	5,131
Over 3 months	<u>—</u>	<u>3</u>
Total	<b><u>5,959</u></b>	<b><u>5,134</u></b>

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

**11. INTEREST-BEARING BANK BORROWINGS**

At 30 September 2008, the bank loan was secured by the Group's investment properties with carrying values of HK\$25,000,000 (31 March 2008: HK\$25,000,000) and guarantees given by the Company and a subsidiary.

**12. CONTINGENT LIABILITIES**

At the balance sheet date, contingent liabilities not provided for in these financial statements were as follows:

- (a) The Company provided guarantees to banks in connection with banking facilities granted to its subsidiaries amounting to HK\$22,600,000 (31 March 2008: HK\$22,600,000), of which approximately HK\$10,492,000 (31 March 2008: HK\$10,744,000) had been utilised at the balance sheet date.
- (b) The Company provided a guarantee to a third party in connection with rental payments of a subsidiary amounting to approximately HK\$24,648,000 (31 March 2008: HK\$30,528,000).

## 13. RELATED PARTY TRANSACTIONS

## (a) Transactions with related parties

	Notes	For the six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Transactions with a director:			
Rental expenses paid	(i)	36	36
Transactions with a jointly controlled entity:			
Management fee income received	(ii)	<u>-</u>	<u>132</u>

## Notes:

- (i) The Group paid rental expenses to a director of the Company. The rentals were determined with reference to open market rentals.
- (ii) The Group received management fee income from a jointly-controlled entity for management services provided by the Group. The transaction was conducted on terms as agreed between the Group and the jointly-controlled entity.

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

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Short term employee benefits	1,117	990
Post-employment benefits	<u>23</u>	<u>23</u>
Total compensation paid to key management personnel	<u>1,140</u>	<u>1,013</u>

## 14. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 12 December 2008.

## DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent (2007: Nil) per ordinary share in issue in respect of the six months ended 30 September 2008 payable on 19 January 2009 to shareholders whose names are on the Register of Members of the Company on 6 January 2009.

## RESULTS

The Group's unaudited consolidated revenue for the first half of the financial year was HK\$124,637,000 (2007: HK\$116,831,000), and the unaudited consolidated loss attributable to ordinary equity holders of the parent was HK\$1,057,000 (2007: loss of HK\$275,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Operations

Our new restaurant located on the 1st floor of Golden Centre, Yen Chow Street, Sham Shui Po commenced operation in late August 2008, providing famous Tack Hsin cuisine and special hotpots for customers in the district. The restaurant reported satisfactory results after several months of operation.

Our Macau Restaurant at Parkes Street, Yau Ma Tei was closed in September upon expiry of the lease, and the property was returned to the landlord after satisfactory fulfilment of the terms and conditions under the lease in late September 2008.

On the other hand, the relevant transaction for the disposal of the land in Lantau Island located at Lot Nos. 2902, 2903, 2904, 2905, 2906 and 2908 in Tung Chung Demarcation District No. 1, Tung Chung, Lantau Island, New Territories at a consideration of HK\$13,500,000 was not completed due to the purchaser's default in making the payment of the balance of the purchase price on the completion date as stipulated in the sales and purchase agreement, and therefore the purchaser was unable to complete the purchase of the property on or before 26 August 2008 pursuant to the terms and conditions set out in the sales and purchase agreement. Please refer to the announcement dated 26 August 2008 for details.

Due to the continuous adjustments in food prices, cost control was inevitably affected, however, the Group will closely monitor the movement of prices in the market. As compared with the corresponding period of last year, despite our gross profit margin declined by 0.5 percent, our overall gross profit margin remained at 64%.

At present, the Group has adequate cash without any liquidity problem.

### Liquidity and Financial Resources

As at 30 September 2008, the Group's liquidity and financial resources comprised a floating rate bank loan of HK\$10,492,000 (31 March 2008: HK\$10,744,000), which was secured by the pledge over certain properties, among which HK\$521,000 (31 March 2008: HK\$509,000) is due within a year, HK\$2,334,000 (31 March 2008: HK\$2,283,000) is due within 2-5 years, and HK\$7,637,000 (31 March 2008: HK\$7,952,000) is due after 5 years. As at 30 September 2008, the Group had cash and cash equivalents of approximately HK\$33,097,000, the majority of which are non-pledged deposits with original maturity of three months or less when acquired. In addition, the shareholders' equity was HK\$82,445,000 (31 March 2008: HK\$95,963,000). At the balance sheet date, the ratio of non-current liabilities to shareholders' equity was 0.12 (31 March 2008: 0.11).

The Group's bank borrowings, bank deposits and cash are mainly denominated in Hong Kong dollars, and hence it is not exposed to exchange risk. The Group has not used any financial instrument for hedging purpose.



### Contingent Liabilities

At the balance sheet date, the Group had no significant contingent liabilities.

### Number of Employees and Remuneration Policy

As at 30 September 2008, the Group had 594 employees, the remuneration packages of whom are being reviewed annually with reference to the prevailing market condition.

For the six months ended 30 September 2008, the Group did not establish any share option scheme for its staff.

### OUTLOOK

Under the immense impact of the recent financial crisis, we believe that the restaurant sector will be affected inevitably and we are not in a position to predict or estimate the scale of such impact, but have to wait until the domestic economic adjustments are eventually over. The Group will from time to time adjust its market strategy in response to the fluctuations in the market in an attempt to provide more versatile value-added services to our customers, and meanwhile, we will also intensify our marketing promotions. The management will do its best to maintain a stable operating income.

While the Board is aware that various economic predicaments will continue to emerge in the market, it remains optimistic towards our perspective of business growth.

### OTHER INFORMATION

#### Directors' Interests and Short Positions in Shares

As at 30 September 2008, the interests and short positions 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 (the "Model Code"), were as follows:

*Long positions in ordinary shares of the Company:*

Name of director	Number of ordinary 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)	114,240,000	31.70
Kung Wing Yiu	7,802,000	–	7,802,000	2.16

*Note:* These shares are held through Hoylake Holdings Limited, a company wholly owned by Chan Shu Kit.

Save as disclosed above, as at 30 September 2008, none of the directors 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.

### 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' and Other Persons' Interests in Shares

As at 30 September 2008, the following interests 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 ordinary shares held	Percentage of the Company's issued share capital
Hoylake Holdings Limited ( <i>note</i> )	Directly beneficially owned	114,240,000	31.70

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

Save as disclosed above, as at 30 September 2008, no person, other than the directors of the Company, whose interests are set out in the section headed "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.

### Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 2 January 2009 to Tuesday, 6 January 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 31 December 2008.

### **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 2008.

### **Corporate Governance**

In the opinion of the directors, the Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices 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 for the six months ended 30 September 2008, except for the deviation 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.

### **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 on 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 report for the six months ended 30 September 2008 have been reviewed by the Audit Committee.

On behalf of the Board

**Chan Shu Kit**

*Chairman*

Hong Kong

12 December 2008