THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Tack Hsin Holdings Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers contained in this Composite Document.

CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED
中國核工業二三建設(香港)有限公司
(Incorporated in Hong Kong with limited liability)

TACK HSIN HOLDINGS LIMITED
(德興集團有限公司*)
(Incorporated in Bermuda with limited liability)
(Stock Code: 611)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE CONDITIONAL MANDATORY CASH OFFERS BY FORTUNE (HK) SECURITIES LIMITED ON BEHALF OF CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED (I) TO ACQUIRE ALL OF THE ISSUED SHARES IN THE CAPITAL OF TACK HSIN HOLDINGS LIMITED AND ALL CONVERTIBLE BONDS ISSUED BY TACK HSIN HOLDINGS LIMITED (OTHER THAN THOSE SHARES AND CONVERTIBLE BONDS ALREADY OWNED BY OR TO BE ACQUIRED BY CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT); AND (II) TO CANCEL ALL OUTSTANDING WARRANTS OF TACK HSIN HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY OR TO BE ACQUIRED BY CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to the Offeror

ATHENS CAPITAL LIMITED

Financial Adviser to Tack Hsin Holdings Limited

博大資本國際有限公司
Partners Capital International Limited

Independent Financial Adviser to the Independent Board Committee

廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED

A letter from Fortune Securities containing, among other things, details of the terms and conditions of the Offers is set out on pages 10 to 23 of this Composite Document. A letter from the Board is set out on pages 24 to 35 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders in respect of the Offers is set out on pages 36 to 37 of this Composite Document. A letter from GF Capital to the Independent Board Committee containing its advice and recommendation in respect of the Offers is set out on pages 38 to 73 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptances of the Offers should be received by the Registrar, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Tuesday, 3 January 2012 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

* *for identification purpose only*

12 December 2011

TABLE OF CONTENTS

The timetable set out below is indicative and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All the time and date references contained in this Composite Document refer to Hong Kong times and dates.

Despatch date of this Composite Document and the accompanying Form(s) of Acceptance and commencement of the Offers *(Note 1)*	Monday, 12 December 2011
Latest time and date for acceptance of the Offers *(Note 2)*	4:00 p.m., Tuesday, 3 January 2012
First Closing Date *(Note 2)*	4:00 p.m., Tuesday, 3 January 2012
Offers lapses if not declared unconditional	4:00 p.m., Tuesday, 3 January 2012
Announcement of the results of the Offers on the website of the Stock Exchange *(Note 2)*	by 7:00 p.m., Tuesday, 3 January 2012
Latest date of posting of remittances in respect of valid acceptances received under the Offers by the First Closing Date (assuming the Offers become or are declared unconditional on such date) *(Note 4)*	Friday, 13 January 2012
Latest time and date for the Offers to remain open for acceptance assuming the Offers become or are declared unconditional on the First Closing Date *(Note 3)*	4:00 p.m., Tuesday, 17 January 2012
Final closing date of the Offers if the Offers become or are declared unconditional on the First Closing Date	Tuesday, 17 January 2012
Latest date of posting of remittances in respect of valid acceptances received under the Offers on or before 4:00 p.m. on 17 January 2012, being the latest date on which the Offers remain open for acceptances assuming the Offers become or are declared unconditional in all respects on the First Closing Date	Friday, 27 January 2012
Latest time and date by which the Offers can become or be declared unconditional *(Note 5)*	7:00 p.m., Friday, 10 February 2012

Notes:

1. The Offers, which are conditional, are made on 12 December 2011, the date of this Composite Document, and are capable of acceptance on and from that date until the close of the Offer Period. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn except in the circumstances as set out in the section headed "Right of Withdrawal" in Appendix I to this Composite Document.

2. The Offers must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offers will be closed on the First Closing Date unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the First Closing Date stating the results of the Offers and whether the Offers have been revised or extended or have expired. In the event that the Offeror decides that the Offers will remain open, the announcement will state the next closing date of the Offers or, if the Offers have become or been declared unconditional, that the Offers will remain open until further notice. At least 14 days' notice in writing will be given, before the Offers are closed, to those Independent Shareholders, Acquisition Convertible Bondholder and Warrantholders who have not accepted the Offers. If there is a tropical cyclone warning signal number 8 or above or a black rainstorm warning signal in force on the First Closing Date and (i) not cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offers will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offers will be the same day, i.e. the First Closing Date.

3. In accordance with the Takeovers Code, where the Offers become or are declared unconditional in all respects, the Offers should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offers are closed to the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders who have not accepted the Offers. The Offeror has the right, subject to the Takeovers Code, to extend the Offers until such date as it may determine or as permitted by the Executive.

4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty, as the case may be) payable for the Shares, the Acquisition Convertible Bonds and the Warrants validly tendered under the Offers will be made as soon as possible, but in any event within 10 days from the later of the date on which the Offers become or are declared unconditional and the date of receipt of the duly completed Form(s) of Acceptance in accordance with the Takeovers Code.

   Pursuant to Rule 17 of the Takeovers Code, an acceptor shall be entitled to withdraw its/his/her acceptance after 21 days from the First Closing Date if the Offers have not by then become unconditional as to acceptances. However, this entitlement to withdraw shall only be exercisable until such time as the Offers become or are declared unconditional as to acceptances. For further details, please refer to Appendix I to this Composite Document.

5. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day on which this Composite Document was posted. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offers have previously become or are declared unconditional as to acceptances, the Offers will lapse after 7:00 p.m. on Friday, 10 February 2012, unless extended with the consent of the Executive.

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Share by the Company pursuant to the Acquisition Agreement;
"Acquisition Agreement"	the conditional sale and purchase agreement dated 23 December 2010 and entered into between the Vendor as vendor and the Company as purchaser in respect of the Acquisition, as amended and supplemented by the First Supplemental Agreement and the Second Supplemental Agreement;
"Acquisition Convertible Bond Offer"	the conditional mandatory cash offer by Fortune Securities on behalf of the Offeror to the Acquisition Convertible Bondholder for transfer of the outstanding Acquisition Convertible Bonds at the Acquisition Convertible Bond Offer Price;
"Acquisition Convertible Bond Offer Price"	HK$0.4167 for every HK$1.00 face value of the Acquisition Convertible Bonds in cash;
"Acquisition Convertible Bondholder"	Shining Rejoice Limited, the holder of the Acquisition Convertible Bonds;
"Acquisition Convertible Bonds"	zero coupon rate unsecured redeemable convertible bonds due 2014 in the principal amount of HK$120 million with conversion price of HK$1.20 per Share issued by the Company on 1 September 2011 to Shining Rejoice Limited (which is not a party acting in concert with the Offeror), details of which are set out in the announcement of the Company dated 13 May 2011 and the circular of the Company dated 12 August 2011;
"acting in concert"	has the same meaning ascribed thereto in the Takeovers Code;
"Amendment Agreement"	the amendment agreement entered into between the Company and the Bondholders on 10 October 2011 amending the terms and conditions of the Convertible Bonds in the terms of the Proposed Amendments;

"Announcement"	the joint announcement made by the Company and the Offeror dated 28 October 2011 in relation to, among other things, the Proposed Amendments and the Offers;
"associate(s)"	has the same meaning ascribed thereto in the Listing Rules or the Takeovers Code (as the case may be);
"Athens Capital"	Athens Capital Limited, a licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity, being the financial adviser to the Offeror in respect of the Proposed Amendments and the Offers;
"**BLUE** Form of Acceptance"	the form of acceptance and cancellation in **BLUE** of Warrants in respect of the Warrant Offer;
"Board"	the board of Directors;
"Bond Instrument"	the bond instrument dated 17 March 2011 constituting the Convertible Bonds;
"Bondholder(s)"	holder(s) of the Convertible Bonds;
"Business Day"	a day (other than a Saturday or a day on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which licensed banks in Hong Kong are generally open for general banking business in Hong Kong throughout their normal business hours;
"Bye-laws"	the bye-laws of the Company, as amended from time to time;
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"CGNPC"	中國廣東核電集團有限公司 (transliterated as China Guangdong Nuclear Power Holding Co., Ltd.*), a state-owned enterprise established in the PRC;
"China He Investment HK"	China He Investment (Hong Kong) Company Limited 中核投資(香港)有限公司, a company incorporated in Hong Kong with limited liability;

"China He Investment HK Convertible Bonds"	Convertible Bonds in the principal amount of HK$50 million held by China He Investment HK;
"Circular"	the circular of the Company dated 16 November 2011 in relation to, among other things, the Proposed Amendments;
"CNECC"	中國核工業建設股份有限公司 (transliterated as China Nuclear Engineering Corporation Co., Ltd.*), a state-owned enterprise established in the PRC;
"CNEGC"	中國核工業建設集團公司 (transliterated as China Nuclear Engineering Group Co.*), a state-owned enterprise established in the PRC;
"CNI 23"	中國核工業二三建設有限公司 (transliterated as China Nuclear Industry 23 Construction Company Limited*), a state-owned enterprise established in the PRC;
"CNI 23 HK" or "Offeror"	China Nuclear Industry 23 Construction (Hong Kong) Company Limited 中國核工業二三建設(香港)有限公司, a company incorporated in Hong Kong with limited liability;
"CNI 23 HK Convertible Bonds"	Convertible Bonds in the principal amount of HK$150 million held by the Offeror;
"CNI Enterprise Group Companies"	the group of companies comprising the Offeror, CNI 23, China He Investment HK, 中核投資有限公司 (Zhong He Investment Company Limited*), CNECC, CNEGC, CGNPC and CNPEC;
"CNPEC"	中廣核工程有限公司 (transliterated as China Nuclear Power Engineering Co., Ltd.*), a state-owned enterprise established in the PRC;
"Company"	Tack Hsin Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are traded on the Main Board of the Stock Exchange;
"Completion"	completion of the Acquisition;

"Composite Document"	this composite offer and response document dated 12 December 2011 jointly issued by the Company and the Offeror in accordance with the Takeovers Code containing, among other things, the detailed terms of the Offers, the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser to be despatched to all Independent Shareholders, Warrantholders and the Acquisition Convertible Bondholder together with the Forms of Acceptance;
"Conditions"	the conditions precedent to the Proposed Amendments as set out in the paragraph headed "Conditions to the Proposed Amendments" in the Circular;
"Conversion Price"	the initial conversion price of HK$0.50 per Conversion Share (subject to adjustment) for exercising the Conversion Rights;
"Conversion Rights"	the conversion rights attaching to the Convertible Bonds to subscribe for the Conversion Shares at the Conversion Price;
"Conversion Shares"	Shares issued and allotted upon the exercise of the Conversion Rights;
"Convertible Bonds"	unsecured zero coupon rate convertible bonds in the principal amount of HK$200 million due 2014 issued by the Company on 17 March 2011;
"Director(s)"	the director(s) of the Company;
"East King"	East King International Enterprises Limited, a company incorporated in Hong Kong with limited liability;
"East King Agreement"	the sale and purchase agreement dated 13 May 2011 entered into between the legal and beneficial owner of the entire issued share capital of East King and Well Link pursuant to which Well Link acquired the entire issued capital of East King;

"Equity Transfer Agreement"	the equity transfer agreement dated 28 November 2010 and entered into between Well Link and East King, pursuant to which East King conditionally agreed to sell, and Well Link conditionally agreed to purchase, 15% equity interest in Zhangjiagang Libaite (or Zhong He Libert after completion of the conversion of Zhangjiagang Libaite from a limited liability company to Zhong He Libert, a joint stock limited liability company, on 31 January 2011), subject to the terms and conditions therein;
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;
"First Closing Date"	3 January 2012, being the first closing date of the Offers which is the first Business Day immediately after 21 days after the date on which this Composite Document was posted (or any subsequent closing date as may be decided and announced by the Offeror and approved by the Executive);
"First Supplemental Agreement"	the supplemental agreement dated 29 December 2010 entered into between the Company and the Vendor to amend and supplement the Acquisition Agreement, details of which are contained in the announcement of the Company dated 29 December 2010;
"Form(s) of Acceptance"	one or more of the **BLUE** Form of Acceptance and/or **PINK** Form of Acceptance and/or **WHITE** Form of Acceptance (as the context may require) in respect of the Offers which accompany(ies) this Composite Document;
"Fortune Securities"	Fortune (HK) Securities Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities) regulated activity, which has been appointed by the Offeror to make the Offers for and on behalf of the Offeror;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKSCC"	Hong Kong Securities Clearing Company Limited;

"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent board committee of the Board comprising Mr. Chan Ka Ling, Edmond, Mr. Chang Nan and Dr. Dai Jinping, all of whom are independent non-executive Directors, to advise the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders in respect of the Offers;
"Independent Financial Adviser" or "GF Capital"	GF Capital (Hong Kong) Limited, a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to advise the Independent Board Committee in respect of the Offers;
"Independent Shareholder(s)"	Shareholder(s) other than the Offeror and parties acting in concert with it;
"Last Trading Day"	9 September 2011, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading on the Stock Exchange pending the release of the Announcement;
"Latest Practicable Date"	9 December 2011, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein;
"Libert Acquisition"	the acquisition of the entire issued share capital of Well Link and East King by the Company on 1 September 2011 as detailed in the announcements of the Company dated 23 December 2010, 29 December 2010 and 13 May 2011 and the circular of the Company dated 12 August 2011;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Memorandum"	the memorandum of association of the Company, as amended from time to time;
"Offer Period"	the period commencing from 28 October 2011, being the date of the Announcement, to 4:00 p.m. on the First Closing Date, or such later time or date to which the Offeror may decide to extend the Offers in accordance with the Takeovers Code;

"Offers"	the Share Offer, the Warrant Offer and the Acquisition Convertible Bond Offer;
"Overseas Shareholder(s)"	the Independent Shareholder(s) with registered address(es) on the register of members of the Company which was/were outside Hong Kong on the Latest Practicable Date;
"Overseas Warrantholder(s)"	the Warrantholder(s) with registered address(es) on the register of Warrantholders which was/were outside Hong Kong on the Latest Practicable Date;
"Partners Capital"	Partners Capital International Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the financial adviser to the Company in respect of the Proposed Amendments and the Offers;
"**PINK** Form of Acceptance"	the form of acceptance and transfer in **PINK** of the Acquisition Convertible Bonds in respect of the Acquisition Convertible Bond Offer;
"PRC"	the People's Republic of China, and for the sole purpose of this Composite Document, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
"Proposed Amendments"	the proposed amendments to the terms and conditions of the Convertible Bonds as set out in the paragraph headed "The Request" in the Circular;
"Registrar"	the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited;
"Relevant Period"	the period from 28 April 2011, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date;

"Request"	the request dated 9 September 2011 made by Athens Capital on behalf of the Offeror to the Company to amend the terms and conditions of the Convertible Bonds by uplifting the conversion restriction restricting the Bondholders to exercise the Conversion Rights attaching to the Convertible Bonds where such exercise may trigger an obligation for a mandatory general offer under the Takeovers Code, details of which are set out in the Circular;
"Sale Share"	one share of US$1.00 in the share capital of Well Link, being its entire issued share capital as at the date of the Acquisition Agreement and as at the date of Completion;
"SASAC"	中華人民共和國國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the State Council of the PRC);
"Second Supplemental Agreement"	the supplemental agreement dated 13 May 2011 entered into between the Company and the Vendor to amend and supplement the sale and purchase agreement dated 23 December 2010 entered into between the Company and the Vendor in respect of the Acquisition, as amended by the First Supplemental Agreement, details of which are contained in the announcement of the Company dated 13 May 2011;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company;
"Share Offer"	the conditional mandatory cash offer by Fortune Securities on behalf of the Offeror to acquire all of the Shares issued and to be issued (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) at the Share Offer Price in accordance with the Takeovers Code;
"Share Offer Price"	HK$0.50 for each Share in cash;
"Shareholder(s)"	holder(s) of Share(s);

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong;
"Terms and Conditions"	the existing terms and conditions of the Bond Instrument;
"US$"	United States dollars, being the lawful currency of the United States of America;
"Vendor"	Shining Rejoice Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is owned by Ms. Jiang Hailing;
"Warrant Offer"	the conditional mandatory cash offer by Fortune Securities on behalf of the Offeror to the Warrantholders for cancellation of the outstanding Warrants at the Warrant Offer Price in accordance with the Takeovers Code;
"Warrant Offer Price"	HK$0.00001 for each Warrant with an exercise price of HK$0.62 for each Share;
"Warrantholder(s)"	holder(s) of the Warrant(s);
"Warrants"	unlisted warrants to subscribe for 94,354,839 Shares at the exercise price of HK$0.62 for each Share issued by the Company on 19 October 2009 which will expire on 18 October 2012;
"Well Link"	Well Link Capital Limited, a company incorporated in the British Virgin Islands whose entire issued share capital was owned by the Vendor immediately before the Completion;
"**WHITE** Form of Acceptance"	the form of acceptance and transfer in **WHITE** of the Share(s) in respect of the Share Offer;
"Zhangjiagang Libaite"	張家港保税區利柏特鋼製品有限公司 (transliterated as Zhangjiagang FTZ Libaite Steel Products Co., Ltd.*), a limited liability company established in the PRC;
"Zhong He Libert"	江蘇中核利柏特股份有限公司 (transliterated as Jiangsu China Nuclear Industry Libert INC.*); and
"%"	per cent.

* *For identification purpose only*

中國富強金融集團
CHINA FORTUNE
FINANCIAL GROUP

Fortune (HK) Securities Limited
35/F Office Tower,
Convention Plaza,
No. 1 Harbour Road,
Wanchai,
Hong Kong.

12 December 2011

To the Independent Shareholders,
the Acquisition Convertible Bondholder and the Warrantholders

Dear Sir or Madam,

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE CONDITIONAL MANDATORY CASH OFFERS BY FORTUNE (HK) SECURITIES LIMITED ON BEHALF OF CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED (I) TO ACQUIRE ALL OF THE ISSUED SHARES IN THE CAPITAL OF TACK HSIN HOLDINGS LIMITED AND ALL CONVERTIBLE BONDS ISSUED BY TACK HSIN HOLDINGS LIMITED (OTHER THAN THOSE SHARES AND CONVERTIBLE BONDS ALREADY OWNED BY OR TO BE ACQUIRED BY CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT); AND (II) TO CANCEL ALL OUTSTANDING WARRANTS OF TACK HSIN HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY OR TO BE ACQUIRED BY CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

On 28 October 2011, the Offeror and the Company jointly announced that, among other things, the Offeror intended to make the Offers (in compliance with the Takeovers Code) through Fortune Securities (i) to acquire all of the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at the Share Offer Price of HK$0.50 per Share; (ii) to acquire the Acquisition Convertible Bonds not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at the Acquisition Convertible Bond Offer Price of HK$0.4167 for every HK$1.00 face value of the Acquisition Convertible Bonds; and (iii) for the cancellation of the Warrants not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at the Warrant Offer Price of HK$0.00001 per Warrant with an exercise price of HK$0.62 for each Share.

This letter sets out, among other things, details of the terms of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. Further details of the terms of the Offers are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance.

On 2 December 2011, all of the Conditions were fulfilled and the Proposed Amendments became effective. On 2 December 2011, the Offeror and the holder of the Convertible Bonds in the principal amount of HK$50 million, China He Investment HK, a party acting in concert with the Offeror, submitted their respective notices of conversion to the Company to fully exercise their respective Conversion Rights attaching to the Convertible Bonds and on 5 December 2011, the Company allotted and issued 300,000,000 Conversion Shares and 100,000,000 Conversion Shares to the Offeror and China He Investment HK respectively. As at the Latest Practicable Date, none of the Offeror and parties acting in concert with it owned any voting rights, rights over Shares or rights over which it had control or direction over the Company, apart from 400,000,000 Conversion Shares issued upon exercise of the Conversion Rights attaching to the Convertible Bonds.

Upon full exercise of the Conversion Rights attaching to the Convertible Bonds held by the Offeror and China He Investment HK, the Offeror and China He Investment HK became interested in 300,000,000 and 100,000,000 Conversion Shares respectively, representing approximately 52.88% and 17.63% respectively of the issued share capital of the Company immediately before the issue of the Conversion Shares upon full exercise of the Conversion Rights and approximately 31.01% and 10.34% respectively of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares pursuant to the exercise in full of the Conversion Rights attaching to the Convertible Bonds. Thus, the controlling shareholder of the Company has been changed as a result of the full conversion of the Convertible Bonds.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror is required to make the Warrant Offer for the cancellation of all outstanding Warrants and the Acquisition Convertible Bond Offer for all the outstanding Acquisition Convertible Bonds pursuant to Rule 13.1 of the Takeovers Code.

THE OFFERS

Consideration for the Offers

Fortune Securities has been appointed to make the Offers for and on behalf of the Offeror. Fortune Securities is making, on behalf of the Offeror, the Offers in compliance with Rule 26.1 and Rule 13 of the Takeovers Code on the following basis:

The Share Offer:

For each Share . . . . HK$0.50 in cash

The Warrant Offer:

For each Warrant with an exercise price of HK$0.62 for each Share . . . . .HK$0.00001 in cash

The Acquisition Convertible Bond Offer:

For every HK$1 face value of the Acquisition Convertible Bonds with conversion price of HK$1.20 per Share ....HK$0.4167 in cash

As at the Latest Practicable Date, the Company had (i) 967,321,620 Shares in issue; (ii) outstanding Warrants to subscribe for 94,354,839 Shares; and (iii) the Acquisition Convertible Bonds which may be converted into 100,000,000 Shares upon exercise of the conversion rights in full. Save as disclosed above, as at the Latest Practicable Date, there were no other outstanding warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Comparison of value

Under the Share Offer, the Share Offer Price represents:

1. a discount of approximately 78.45% to the closing price of HK$2.32 per Share as quoted on the Stock Exchange on the Last Trading Day;

2. a discount of approximately 77.17% to the average closing price of HK$2.19 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;

3. a discount of approximately 77.95% to the average closing price of HK$2.268 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

4. a discount of approximately 70.59% to the closing price of HK$1.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

5. a premium over the audited consolidated net liabilities per Share attributable to Shareholders of approximately HK$1.22 as at 31 March 2011; and

6. a premium over the unaudited consolidated net liabilities per Share attributable to Shareholders of approximately of HK$0.93 as at 30 September 2011.

The Warrant Offer Price is HK$0.00001 per Warrant as the exercise price of HK$0.62 for each Share under the Warrant exceeds the Share Offer Price.

The Acquisition Convertible Bond Offer Price is HK$0.4167 for every HK$1.00 face value of the Acquisition Convertible Bonds (with the conversion price of HK$1.20 for each Share), which is equal to the Share Offer Price.

Highest and lowest price of the Shares

During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK$3.47 on 12 May 2011 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$1.70 on 6 December 2011 and 9 December 2011.

Condition of the Offers

The Share Offer is conditional upon the Offeror having received (and, where permitted, such acceptances not having been withdrawn) at or before 4:00 p.m. on the First Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide), valid acceptances in respect of the Shares which, together with the Conversion Shares, will result in the Offeror together with parties acting in concert with it holding more than 50% of the Shares. If such condition is not satisfied on or before the First Closing Date, the Share Offer will lapse unless the Offer Period is extended by the Offeror.

The Warrant Offer and the Acquisition Convertible Bond Offer are subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

The Offers are initially open for acceptance up to 4:00 p.m. on the First Closing Date. When the Offers become or are declared unconditional as to acceptances as mentioned above, the Offers will remain open for acceptance for at least 14 days thereafter.

The latest date for declaring the Share Offer unconditional as to acceptances of the Offers is the 60th day from the date of despatch of the Composite Document, being 10 February 2012.

Shareholders should note that if the condition on the 50% valid acceptances mentioned in the paragraph headed "Condition of the Offers" above is not fulfilled, the Offers will not become unconditional and will lapse. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the Shares.

No dividend or other distribution

The Company does not intend to declare or pay any dividend or other distribution on the Shares before the First Closing Date.

Total consideration and financial resources

As at the Latest Practicable Date, the Company had (i) 967,321,620 Shares in issue; (ii) outstanding Warrants to subscribe for 94,354,839 Shares; and (iii) the Acquisition Convertible Bonds which may be converted into 100,000,000 Shares upon exercise of the conversion rights in full. Save as disclosed above, as at the Latest Practicable Date, there were no other outstanding warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

As the conversion rights attaching to the Acquisition Convertible Bonds can only be exercised at any time during the period commencing from the first anniversary of the issue date of 1 September 2011, no conversion rights attaching to the Acquisition Convertible Bonds has been exercised. Based on the Share Offer Price of HK$0.50 per Share and 567,321,620 Shares in issue (representing the Shares not already held or to be acquired by the Offeror and parties acting in concert with it) as at the Latest Practicable Date, the maximum amount payable under the Share Offer (assuming no subscription rights attaching to the Warrants are exercised and the Share Offer is accepted in full) is approximately HK$283,660,810.

As the Warrant Offer Price is HK$0.00001 per Warrant to subscribe for each Share at the exercise price of HK$0.62, the maximum amount payable under the Warrant Offer is approximately HK$944.

Based on the Acquisition Convertible Bond Offer Price of HK$0.4167 for every HK$1.00 face value of the Acquisition Convertible Bonds, the maximum amount payable under the Acquisition Convertible Bond Offer is HK$50,004,000.

In the event that all the Warrants are exercised in full by the Warrantholders and the Share Offer is accepted in full (including the 94,354,839 Shares issued and allotted as a result of the exercise of the Warrants), the maximum amount payable by the Offeror pursuant to the Share Offer will increase to HK$330,838,229.50. As the conversion rights attaching to the Acquisition Convertible Bonds can only be exercised at any time during the period commencing from 1 September 2012, the scenario based on the assumption of exercise in full of the conversion rights attaching to the Acquisition Convertible Bonds is not presented.

Based on the foregoing, (i) the maximum amount payable under the Share Offer, the Warrant Offer and the Acquisition Convertible Bond Offer (assuming no part of the Warrants is exercised and full acceptances under the Offers) is approximately HK$333,665,754; and (ii) the maximum amount payable under the Share Offer and the Acquisition Convertible Bond Offer (assuming the Share Offer is made after full exercise of the Warrants at the current subscription price and full acceptances under the Offers) is HK$380,842,229.50.

The Offeror will finance the Offers by bank borrowing in the amount of HK$381,000,000 advanced by China Construction Bank Corporation, Hong Kong Branch. The payment of interest on, repayment of or security for such bank borrowing (contingent or otherwise) will not depend to any significant extent on the business of the Group. Athens Capital has been appointed as the financial adviser to the Offeror in respect of matters relating to the Proposed Amendments and the Offers. Athens Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptance of the Share Offer and the Acquisition Convertible Bond Offer (assuming the Share Offer is made after full exercise of the Warrants at the current subscription price and full acceptances under the Share Offer) as described above.

Closing of the Offers

If the condition to the Offers is not satisfied on or before the First Closing Date, the Offers will lapse unless extended by the Offeror in accordance with the Takeovers Code. In such case, the Offeror will issue an announcement in accordance with the Takeovers Code as soon as practicable thereafter.

Effects of accepting the Offers

The Shares

By accepting the Share Offer, the Independent Shareholders will sell their Shares to the Offeror at the Share Offer Price free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and third parties rights, and together with all rights attached thereto as at the date of the Composite Document or which subsequently become attached thereto, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date of the Composite Document.

The Warrants

By accepting the Warrant Offer, the Warrants of the accepting Warrantholders, together with all rights attaching thereto, will be cancelled.

The Acquisition Convertible Bonds

By accepting the Acquisition Convertible Bond Offer, the outstanding principal amount of the Acquisition Convertible Bonds of the accepting Acquisition Convertible Bondholder, together with all rights attaching thereto, will be transferred to the Offeror.

Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares, Warrants and Acquisition Convertible Bonds after the close of the Offers.

Acceptance and Settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement of the Offers as set out in Appendix I to the Composite Document and the accompanying Form(s) of Acceptance.

Hong Kong stamp duty

Seller's ad valorem stamp duty arising from or in connection with acceptance of the Share Offer or the Acquisition Convertible Bond Offer will be payable by each Shareholder or the Acquisition Convertible Bondholder (as the case may be) at the rate of HK$1.00 for every HK$1,000 or part thereof of the consideration payable by the Offeror for such person's Shares or Acquisition Convertible Bonds and will be deducted from the cash amount due to such accepting Shareholder or Acquisition Convertible Bondholder (as the case may be). The Offeror will pay the buyer's ad valorem stamp duty and will account to the Stamp Office of Hong Kong for all stamp duty payable on the sale and purchase of the Shares or the Acquisition Convertible Bonds in respect of which valid acceptances are received under the Share Offer or the Acquisition Convertible Bond Offer (as the case may be).

No stamp duty is payable in connection with the Warrant Offer.

INFORMATION OF THE GROUP

The Group is principally engaged in property investment, hotel and restaurant operations. In addition, the Group also has investment in an associate which is principally engaged in the manufacturing of prefabricated pipes and related equipment for uses by chemical plants in the PRC and overseas. It is the corporate strategy of the Group to continue to identify investment opportunities with the aim to diversify its business to a section which is less susceptible to global financial markets while at the same time has a steady revenue stream. Although the Group did not identify any investment opportunity as at the Latest Practicable Date, it is the intention of the Group to develop its catering and hotel business in the PRC as well as to continue to expand the market share of Zhong He Libert in a steady way by seeking strategic business partners or through its internal growth. The Company is also considering the possibility of expanding its Chinese cuisine and hotpot restaurants into other major cities/provinces in the PRC specialising in hotpot and local specialty. The Company will capture any suitable business opportunity for such expansion in the PRC if it arises in the future and will further conduct feasibility study in the relevant market if it can identify a suitable project. The Directors consider a closer relationship with CNI 23 and the Offeror may also provide the Group with a good opportunity to leverage on its relationship with CNI 23 in seeking entry into the catering and hotel industry in the PRC through the extensive business connections of CNI 23. The Directors believe that after the Offeror has become the controlling shareholder of the Company, it will foster a closer relationship between CNI 23 and the Group and CNI 23 will refer more clients to Zhong He Libert through CNI 23's business connections. It is the intention of the Group to continue to expand its market share in a steady way by seeking suitable business opportunities and to participate in the relevant projects proactively once the Group can identify any suitable business opportunity. It is believed that such strategy will provide a solid platform for the Group to continue to expand as and when appropriate.

INFORMATION ON CNI 23 AND THE OFFEROR

CNI 23 is a state-owned enterprise established in the PRC in 1958 and is one of the largest nuclear industry installation corporations in the PRC. CNI 23 is awarded by the PRC government as the main contractor for construction of nuclear plant with first class qualification. During more than 50 years of development, CNI 23 has been engaged in nuclear power projects, nuclear research projects and non-nuclear projects such as petrochemical and electrical installation projects in the PRC. It has been awarded national prizes including the Luban Prize. The directors of CNI 23 are Messrs. Dong Yuchuan, Wang Jiping, Han Naishan, Ms. Fan Qili, Messrs. Li Jing, Dong Yushu and Wang Feng.

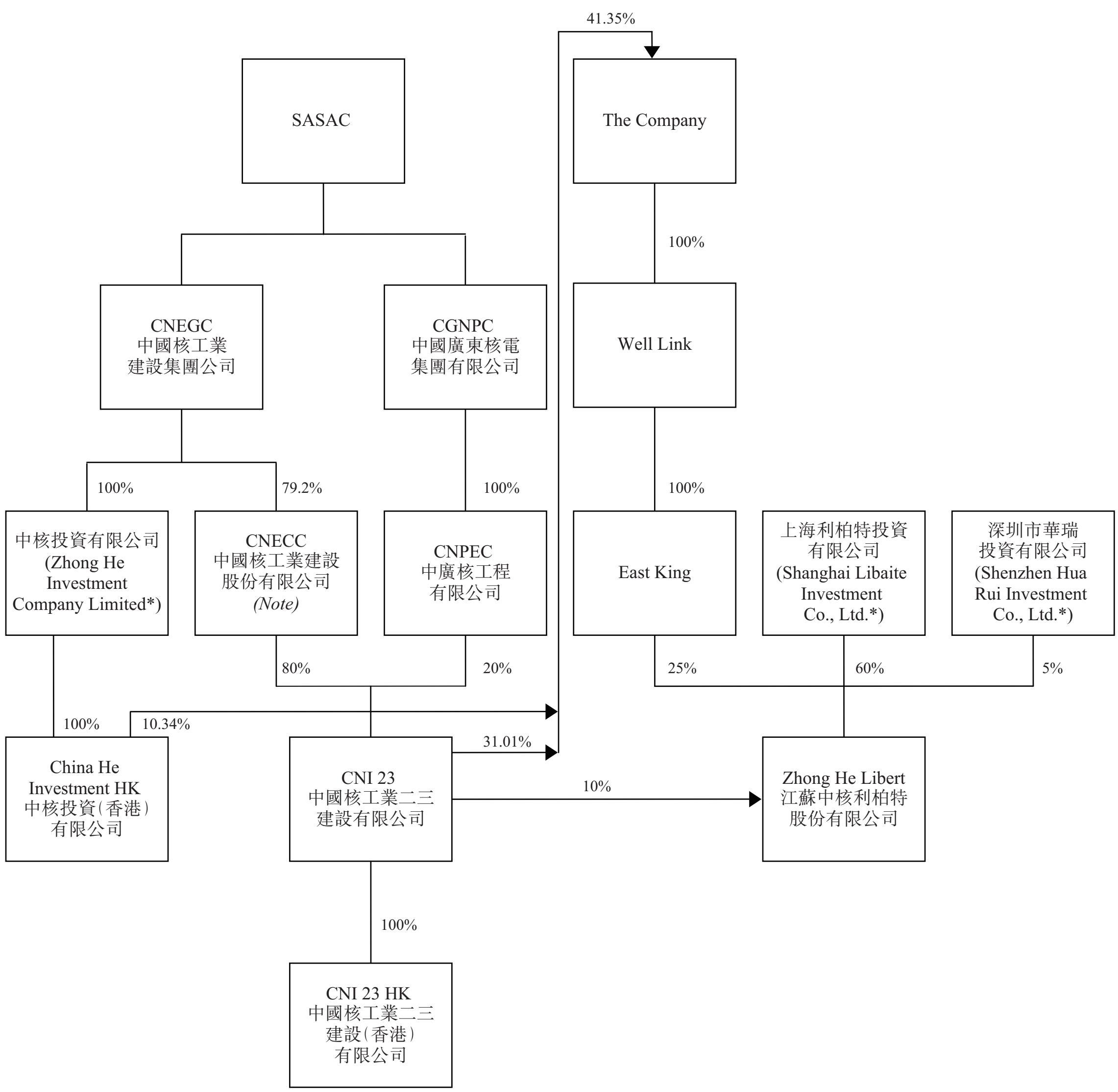
The Offeror is a company incorporated in Hong Kong on 11 March 2011. On 17 June 2011, the Offeror acquired the CNI 23 HK Convertible Bonds from China He Investment HK which were fully converted into 300,000,000 Conversion Shares on 5 December 2011 upon exercise of the Conversion Rights on 2 December 2011. The directors of the Offeror are Messrs. Guo Shuwei and Wei Xitao.

The Offeror is a wholly owned subsidiary of CNI 23. CNI 23 is owned as to 80% by CNECC and 20% by CNPEC. CNECC is owned as to 79.2% by CNEGC. CNPEC is 100% owned by CGNPC. Both CNEGC and CGNPC are under the direct supervision and management of SASAC.

CNEGC is also the sole shareholder of 中核投資有限公司 (Zhong He Investment Company Limited*), the sole shareholder of China He Investment HK. China He Investment HK held Convertible Bonds in the principal amount of HK$50 million which were fully converted into 100,000,000 Conversion Shares on 5 December 2011 upon exercise of the Conversion Rights on 2 December 2011 and is a party acting in concert with the Offeror.

CNI 23 owns 10% of the equity interest of Zhong He Libert and the remaining shareholders of Zhong He Libert are East King, 上海利柏特投資有限公司 (Shanghai Libaite Investment Co., Ltd.*) and 深圳市華瑞投資有限公司 (Shenzhen Hua Rui Investment Co., Ltd.*), owning as to 25%, 60% and 5% of the equity interests of Zhong He Libert respectively.

Set out below is the structure chart of the CNI Enterprise Group Companies as at the Latest Practicable Date:



* *For identification purpose only*

Note: The remaining shareholders of CNECC are 中國國新控股有限責任公司, 航天投資控股有限公司 and 中國信達資產管理股份有限公司 owning as to 1%, 4.95% and 14.85%, respectively. 中國國新控股有限責任公司 is under the direct supervision and management of SASAC. 航天投資控股有限公司 is owned as to 36.25% by 中國航天科技集團公司 which is under the direct supervision and management of SASAC. 中國信達資產管理股份有限公司 is owned by 中華人民共和國財政部.

REASONS FOR AND BENEFITS OF THE OFFERS

As at the Latest Practicable Date and as stated in the Request, the Offeror has been seeking investment opportunities in Hong Kong. In view of the price performance of the Shares since the Company entered into the subscription agreement for the Convertible Bonds and completion of the Libert Acquisition which, save for the fluctuation immediately following the announcement of the Libert Acquisition, was generally comparable to the performance of the Hang Seng Index, the Offeror considers the Convertible Bonds a sound investment and sees the growth potential of the Company. In view of the aforesaid satisfactory price performance of the Company and the completion of the Libert Acquisition in September 2011, the Offeror is more confident in the business of the Group and thus is encouraged to play a more active role in the Company. As a result, the Offeror intends to participate in the management of the Company and appoint Mr. Dong Yuchuan ("**Mr. Dong**") and Mr. Guo Shuwei ("**Mr. Guo**") as additional non-executive Director and executive Director respectively which will take effect after the despatch of the Composite Document.

INTENTION OF THE OFFEROR REGARDING THE GROUP

The Offeror intends to continue the existing business of the Group which includes the catering and hotel operations and the manufacture and sale of prefabricated pipes and related equipment for the uses in chemical plants via the interest held in Zhong He Libert. In addition to leveraging on the established position of its shareholder, CNI 23, in participating in the petrochemical and electrical installation projects in the PRC and overseas countries, the Offeror also intends to expand the catering and hotel business of the Group in the PRC. The Offeror does not have any intention nor any plan on the acquisition, disposal or change of the Group's business. The Offeror intends to change the existing composition of the Board by appointing Mr. Dong as an additional non-executive Director who will also be the chairman of the Company and Mr. Guo as an executive Director which will take effect after the despatch of the Composite Document. Upon the appointment of the new non-executive Director as chairman of the Company, Mr. Chan Shu Kit, being the current chairman of the Company, will be the vice-chairman of the Company. Further particulars on such proposed changes are set out in the section headed "Proposed Change of Board Composition" below in this letter. In addition, the Offeror does not have any intention nor any plan to redeploy the Group's employees or dispose of or redeploy the assets of the Group other than in the ordinary course of business. Furthermore, the Offeror does not have any intention nor any plan to acquire further interest in Zhong He Libert or any other companies involving in the manufacture and sale of prefabricated pipes and related equipment and the Offeror may consider further acquisition in such business if there will be suitable opportunity.

CNI 23 has established strong business relationship and extensive networks in many provinces in the PRC. Furthermore, nuclear power station construction sites and training centres of CNI 23 in various provinces in the PRC have a strong demand for catering and hotel services since the staff of CNI 23 is based in the various nuclear power station construction sites and a substantial number of them have to stay on-site or in the vicinity, there will be a need for catering service and accommodation to be provided to such staff. CNI 23 may set up restaurants and hotels in the cities where the nuclear power station construction sites and training centres are located to serve its staff, clients and working partners (including overseas clients and partners) who will visit or train at the sites and also to the public. As at the Latest Practicable Date, there were approximately 30,000 employees in the CNI 23 Enterprise Group Companies. Both CNI 23 and the Offeror expect a majority of these employees will benefit from the Group's provision of such catering and accommodation services. Furthermore, the hotels may also provide the venue for hosting conferences to clients and partners of CNI 23 Enterprise Group Companies. Certain areas of the completed nuclear bases may be open to the public for educational tour visit in the future and the catering and hotel services will also serve the public. Although the Group is engaged in restaurant and hotel business which may not be the same market segment as required by CNI 23's nuclear power construction site areas and training centres, however, the Group's expertise in the business will contribute to CNI 23 Enterprise Group Companies in providing such services catered for their staff, clients, partners and the public and the Group will assess the requirements of the relevant cities/provinces, such as local flavour and preference of the people, to meet the demand of the relevant markets. CNI 23 may set up international training and information centres to provide training for employees, clients and overseas participants in the industry and the Company will be able to provide catering and hotel services for such international training centres given the Company's experience in the business. Based on the foregoing, CNI 23 and the Offeror believe that the demand for catering and hotel services at these nuclear power station construction sites and training centres is substantial. In view of the aforesaid, in particular, the petrochemical and electrical installation projects in the PRC and overseas countries through the interest held in Zhong He Libert and strong demand for catering and hotel services, the Offeror is of the view that the Offers are in its long-term commercial interest.

Save as disclosed above, the Offeror does not have any intention to acquire any interest in other catering and hotel business nor any expansion plan on the catering and hotel business of the Group but will further explore any suitable opportunity in the future.

The directors of the Offeror consider that the Offers represent a strategic investment opportunity for the Offeror and see the growth potential of the Company and that the terms of the Offers are fair and reasonable and the making of the Offers is in the interests of the Offeror and the shareholder of the Offeror as a whole.

PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of ten Directors, comprising seven executive Directors and three independent non-executive Directors. It was originally intended that the existing composition of the Board would not be changed. It was stated in the Circular that the Offeror intended to appoint additional Director(s) after it became the controlling Shareholder upon full exercise of its Conversion Rights and completion of the Offers. As the Offeror had already become the controlling shareholder of the Company as at the Latest Practicable Date, the Offeror would like to play a more active role at the Board level as soon as possible and therefore it changed its original intention and intended to appoint Mr. Dong as an additional non-executive Director who will also be the chairman of the Company and Mr. Guo as an executive Director which will take effect after the despatch of the Composite Document. Upon the appointment of the new non-executive Director as chairman of the Company, Mr. Chan Shu Kit, being the current chairman of the Company, will be the vice-chairman of the Company. Further announcement in respect of the appointment of Directors will be made in compliance with the requirements of the Listing Rules. Save as disclosed above, the Offeror does not intend that there will be any material change to the existing management and employees of the Group following the close of the Offers.

The biographies of Mr. Dong and Mr. Guo are as follows:

(a) Mr. Dong

Mr. Dong, aged 48, graduated from Chongqing Architectural University (重慶建築工程學院) in 1986 with a degree in Equipment Installation. He also graduated from Harbin Engineering University in 2006 with a degree in Master of Business Administration. He also obtained a professional qualification in Engineering Management and is a senior engineer.

Mr. Dong joined CNI 23 in 1980 as a technical worker. He has more than 30 years of experience in the nuclear power plant construction industry working within CNI 23. He was responsible for constructing nuclear power plants in the PRC, including Daya Bay (大亞灣核電站), Tianwan (phase I) (田灣核電站(一期)) and Ling'ao (phase II) (嶺澳核電站(二期)). Mr. Dong is currently the Vice President of CNECC and the chairman of the board and director general of CNI 23.

Mr. Dong was awarded with the national prizes, such as the Working Model of China Central Government Enterprises in 2004, the Outstanding Entrepreneur of Hebei Province in 2008.

(b) Mr. Guo

Mr. Guo, aged 44, graduated from Sichuan Radio and TV University (四川廣播電視大學) in 1992 with a degree in Welding. He also obtained a professional qualification in Welding and is a senior engineer.

Mr. Guo joined CNI 23 in 1988 as a worker. He has more than 20 years of experience in the nuclear power plant construction industry working within CNI 23. He also participated in the Daya Bay (大亞灣核電站) nuclear power plant project. Mr. Guo is currently the deputy director of the nuclear power engineering department of CNEGC and the general manager of the international department of CNECC. Mr. Guo was awarded with prizes by CNI 23 in 2004 and 2005 for his contribution.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. The respective directors of the Company (including Mr. Dong and Mr. Guo upon their appointments as Directors after the despatch of the Composite Document) and the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that not less than 25% of the total number of Shares in issue will be held by the public as required by the Listing Rules.

If, at the close of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares. In this connection, it should be noted that upon the close of the Offers, there may be an insufficient level of public float in the Shares and trading in the Shares may be suspended until a sufficient level of public float is maintained.

TAX IMPLICATION

None of the Company, the Offeror, Athens Capital, Fortune Securities, Partners Capital, any of their respective directors or any other parties involved in the Offers is in a position to advise the Independent Shareholders, the Warrantholders and the Acquisition Convertible Bondholder on their individual tax implications. The Independent Shareholders, the Warrantholders and the Acquisition Convertible Bondholder are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offers. None of the Company, the Offeror, Athens Capital, Fortune Securities, Partners Capital or any of their respective directors or any other parties involved in the Offers accepts any responsibility for any tax effect on, or liabilities of, the Independent Shareholders, the Warrantholders and the Acquisition Convertible Bondholder.

OVERSEAS SHAREHOLDERS, OVERSEAS WARRANTHOLDERS AND OVERSEAS ACQUISITION CONVERTIBLE BONDHOLDER

The Offers are in respect of securities of a company incorporated in Bermuda, the issued Shares of which are listed on the Stock Exchange, and are subject to the procedure and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions.

The Offeror is making available the Offers to all Independent Shareholders, the Warrantholders and the Acquisition Convertible Bondholder, including those who are resident outside Hong Kong. The availability of the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

The making of the Offers to the Overseas Shareholders, the Overseas Warrantholders and the Acquisition Convertible Bondholder who resides outside Hong Kong may be affected by the laws of the relevant jurisdictions. Such Overseas Shareholders, Overseas Warrantholders and Acquisition Convertible Bondholder should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of each of the Overseas Shareholders, Overseas Warrantholders and Acquisition Convertible Bondholder wishing to accept the Offers to satisfy himself or herself or itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities, registration or legal requirements. Any accepting Overseas Shareholders, Overseas Warrantholders and Acquisition Convertible Bondholder will be responsible for any such issue, transfer or other taxes payable by such accepting Overseas Shareholders, Overseas Warrantholders and Acquisition Convertible Bondholder who resides outside Hong Kong. Acceptance of the Offers by any such person will constitute a warranty by such person(s) that such person(s) has(ve) observed and is/are permitted under all applicable laws and regulations to receive and accept the Offers and any revision thereof, and that he/she/it has obtained any requisite governmental, exchange control or other consents, complied with all other necessary formalities or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her/it in connection with such acceptance in any territory and that such acceptance shall be valid and binding in accordance with all applicable laws and regulations.

The Offeror reserves the right to notify any matter, including the making of the Offers to the Overseas Shareholders, the Overseas Warrantholders or the Acquisition Convertible Bondholder having a registered address outside of Hong Kong by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdictions in which such persons are resident. The notice so given will be deemed to have been sufficiently given, despite any failure by such Overseas Shareholders, Overseas Warrantholders and Acquisition Convertible Bondholder to receive or see that notice.

GENERAL

All documents and remittances sent to the Independent Shareholders, the Warrantholders and the Acquisition Convertible Bondholder by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders, the Warrantholders and the Acquisition Convertible Bondholder at their respective addresses as they appear in the register of members of the Company (in the case of the Share Offer) or the register of Warrantholders (in the case of Warrant Offer) or the register of the holders of convertible bonds of the Company (in the case of the Acquisition Convertible Bond Offer). None of the Company, the Offeror, Fortune Securities, Athens Capital, Partners Capital, the Registrar, any of their respective directors or professional advisers or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from GF Capital" as set out in the Composite Document, the accompanying Form(s) of Acceptance and the additional information set out in the appendices to, which form part of, the Composite Document.

Yours faithfully
For and on behalf of
Fortune (HK) Securities Limited
Kwok Wai Shun
Director

TACK HSIN HOLDINGS LIMITED
(德興集團有限公司*)

(Incorporated in Bermuda with limited liability)
(Stock Code: 611)

Executive Directors:
Mr. Chan Shu Kit *(Chairman)*
Mr. Chan Ho Man
Ms. Jian Qing
Mr. Chung Chi Shing
Mr. Han Naishan
Mr. Lei Jian
Mr. Song Limin

Independent Non-executive Directors:
Mr. Chan Ka Ling, Edmond
Mr. Chang Nan
Dr. Dai Jinping

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
Unit 1203, 12/F
Peninsula Centre
67 Mody Road
Tsim Sha Tsui East
Kowloon
Hong Kong

12 December 2011

To the Independent Shareholders,
the Acquisition Convertible Bondholder and the Warrantholders

Dear Sir or Madam,

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE CONDITIONAL MANDATORY CASH OFFERS BY FORTUNE (HK) SECURITIES LIMITED ON BEHALF OF CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED (I) TO ACQUIRE ALL OF THE ISSUED SHARES IN THE CAPITAL OF TACK HSIN HOLDINGS LIMITED AND ALL CONVERTIBLE BONDS ISSUED BY TACK HSIN HOLDINGS LIMITED (OTHER THAN THOSE SHARES AND CONVERTIBLE BONDS ALREADY OWNED BY OR TO BE ACQUIRED BY CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT); AND (II) TO CANCEL ALL OUTSTANDING WARRANTS OF TACK HSIN HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY OR TO BE ACQUIRED BY CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

On 28 October 2011, the Offeror and the Company jointly announced that, among other things, the Offeror intended to make the Offers (in compliance with the Takeovers Code)

* *for identification purpose only*

through Fortune Securities (i) to acquire all of the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at the Share Offer Price of HK$0.50 per Share; (ii) to acquire the Acquisition Convertible Bonds not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at the Acquisition Convertible Bond Offer Price of HK$0.4167 for every HK$1.00 face value of the Acquisition Convertible Bonds; and (iii) for the cancellation of the Warrants not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at the Warrant Offer Price of HK$0.00001 per Warrant with an exercise price of HK$0.62 for each Share.

The purpose of the Composite Document is to provide you with, among other things, (i) information relating to the Offers, the Offeror and the Group; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders in relation to the Offers; and (iii) the advice from GF Capital to the Independent Board Committee in respect of the Offers. Further details of the terms of the Offers are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance.

As at the Latest Practicable Date, none of the Offeror and parties acting in concert with it owned any voting rights, rights over Shares or rights over which it had control or direction over the Company, apart from the Conversion Shares issued upon exercise of the Conversion Rights attaching to the Convertible Bonds. On 2 December 2011, all of the Conditions were fulfilled and the Proposed Amendments have become effective. On 2 December 2011, the Offeror and the holder of the Convertible Bonds in the principal amount of HK$50 million, China He Investment HK, a party acting in concert with the Offeror, submitted their respective notices of conversion to the Company to fully exercise their respective Conversion Rights attaching to the Convertible Bonds and on 5 December 2011, the Company allotted and issued 300,000,000 Conversion Shares and 100,000,000 Conversion Shares to the Offeror and China He Investment HK respectively.

Upon full exercise of the Conversion Rights attaching to the Convertible Bonds held by the Offeror and China He Investment HK in full, the Offeror and China He Investment HK became interested in 300,000,000 and 100,000,000 Conversion Shares respectively, representing approximately 52.88% and 17.63% respectively of the issued share capital of the Company immediately before the issue of the Conversion Shares upon full exercise of the Conversion Rights and approximately 31.01% and 10.34% respectively of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares pursuant to the exercise in full of the Conversion Rights attaching to the Convertible Bonds. Thus, the controlling shareholder of the Company has been changed as a result of the full conversion of the Convertible Bonds.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror is required to make the Warrant Offer for the cancellation of all outstanding Warrants and the Acquisition Convertible Bond Offer for all the outstanding Acquisition Convertible Bonds pursuant to Rule 13.1 of the Takeovers Code.

BACKGROUND

References are made to the announcements made by the Company dated 20 January 2010, 17 September 2010 and 17 March 2011 and the circular of the Company dated 26 February 2010 regarding the subscription for the Convertible Bonds by China He Investment HK, the Announcement regarding the Proposed Amendments and the possible Offers and the Circular in respect of the Proposed Amendments.

On 9 September 2011, the Company received the Request from the Offeror to amend the terms and conditions of the Convertible Bonds to uplift the conversion restriction restricting the Bondholders to exercise the Conversion Rights attaching to the Convertible Bonds where such exercise may trigger an obligation for a mandatory general offer under the Takeovers Code.

The Company on 14 September 2011 informed the Offeror of its agreement to amend the terms and conditions of the Convertible Bonds subject to the fulfillment of the Conditions, details of which are set out in the paragraph headed "Conditions to the Proposed Amendments" in the Circular. The Offeror indicated its agreement to the Conditions on 16 September 2011.

The Bondholders unanimously approved the Proposed Amendments at a meeting of the Bondholders held on 3 October 2011. On 10 October 2011, the Amendment Agreement was entered into by the Company and the Bondholders. On 17 October 2011, the Stock Exchange confirmed its approval to the Proposed Amendments to the terms of the Convertible Bonds.

The Offeror stated in the Request that upon the Proposed Amendments becoming effective, it intended to exercise the Conversion Rights attaching to the CNI 23 HK Convertible Bonds in full. On 17 October 2011, China He Investment HK, a party acting in concert with the Offeror, which held the Convertible Bonds in the principal amount of HK$50 million, indicated to the Company its intention to exercise the Conversion Rights attaching to such Convertible Bonds held by it in full after the Proposed Amendments having become effective and at the same time when the Offeror exercised the Conversion Rights attaching to the CNI 23 HK Convertible Bonds in full.

The special general meeting of the Company was held on 2 December 2011 at which the ordinary resolution was duly passed by the Shareholders entitled to vote at such meeting to approve, among other things, the Proposed Amendments, the terms and conditions of the amended and restated Bond Instrument and its adoption. On 2 December 2011, the Offeror and China He Investment HK submitted their respective notices of conversion to the Company to fully exercise their respective Conversion Rights attaching to the Convertible Bonds and on 5 December 2011, 300,000,000 Conversion Shares and 100,000,000 Conversion Shares were issued to the Offeror and China He Investment HK respectively.

THE OFFERS

Consideration for the Offers

Fortune Securities is making, on behalf of the Offeror, the Offers in compliance with the Takeovers Code on the following basis:

The Share Offer:

For each Share . . . . HK$0.50 in cash

The Warrant Offer:

For each Warrant with an exercise price of HK$0.62 for each Share . . . . HK$0.00001 in cash

The Acquisition Convertible Bond Offer:

For every HK$1 face value of the Acquisition Convertible Bonds with conversion price of HK$1.20 per Share . . . . HK$0.4167 in cash

As at the Latest Practicable Date, the Company had (i) 967,321,620 Shares in issue; (ii) outstanding Warrants to subscribe for 94,354,839 Shares; and (iii) the Acquisition Convertible Bonds which may be converted into 100,000,000 Shares upon exercise of the conversion rights in full. Save as disclosed, as at the Latest Practicable Date, there were no other outstanding warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Comparison of value

Under the Share Offer, the Share Offer Price represents:

1. a discount of approximately 78.45% to the closing price of HK$2.32 per Share as quoted on the Stock Exchange on the Last Trading Day;

2. a discount of approximately 77.17% to the average closing price of HK$2.19 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;

3. a discount of approximately 77.95% to the average closing price of HK$2.268 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

4. a discount of approximately 70.59% to the closing price of HK$1.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

5. a premium over the audited consolidated net liabilities per Share attributable to Shareholders of approximately HK$1.22 as at 31 March 2011; and

6. a premium over the unaudited consolidated net liabilities per Share attributable to Shareholders of approximately of HK$0.93 as at 30 September 2011.

The Warrant Offer Price is HK$0.00001 per Warrant as the exercise price of HK$0.62 for each Share under the Warrant exceeds the Share Offer Price.

The Acquisition Convertible Bond Offer Price is HK$0.4167 for every HK$1.00 face value of the Acquisition Convertible Bonds (with the conversion price of HK$1.20 for each Share), which is equal to the Share Offer Price.

Highest and lowest price of the Shares

During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK$3.47 on 12 May 2011 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$1.70 on 6 December 2011 and 9 December 2011.

Condition of the Offers

The Share Offer is conditional upon the Offeror having received (and, where permitted, such acceptances not having been withdrawn), at or before 4:00 p.m. on the First Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide), valid acceptances in respect of the Shares which, together with the Conversion Shares, will result in the Offeror together with parties acting in concert with it holding more than 50% of the Shares. If such condition is not satisfied on or before the First Closing Date, the Share Offer will lapse unless the Offer Period is extended by the Offeror.

The Warrant Offer and the Acquisition Convertible Bond Offer are subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

The Offers are initially open for acceptance up to 4:00 p.m. on the First Closing Date. When the Offers become or are declared unconditional as to acceptances as mentioned above, the Offers will remain open for acceptance for at least 14 days thereafter.

The latest date for declaring the Share Offer unconditional as to acceptances of the Offers is the 60th day from the date of despatch of the Composite Document, being 10 February 2012.

Shareholders should note that if the above condition is not fulfilled, the Offers will not become unconditional and will lapse. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the Shares.

No dividend or other distribution

The Company does not intend to declare or pay any dividend or other distribution on the Shares before the First Closing Date.

Further details of the Offers

For further information on the Offers, including the paragraphs headed "Total consideration and financial resources", "Effects of accepting the Offers", "Compulsory acquisition", "Hong Kong stamp duty", the sections headed "Tax Implication", "Overseas Shareholders, Overseas Warrantholders and Overseas Acquisition Convertible Bondholder" are set out in the "Letter from Fortune Securities" on pages 10 to 23 in the Composite Document.

Your attention is also drawn to the further details regarding the procedures for acceptance and settlement of the Offers as set out in Appendix I to the Composite Document and the accompanying Form(s) of Acceptance.

Closing of the Offers

If the conditions to the Offers are not satisfied on or before the First Closing Date, the Offers will lapse unless extended by the Offeror in accordance with the Takeovers Code. In such case, the Offeror will issue an announcement in accordance with the Takeovers Code as soon as practicable thereafter.

INFORMATION OF THE GROUP

The Group is principally engaged in property investment, hotel and restaurant operations. In addition, the Group also has investment in an associate which is principally engaged in the manufacturing of prefabricated pipes and related equipment for uses by chemical plants in the PRC and overseas. It is the corporate strategy of the Group to continue to identify investment opportunities with the aim to diversify its business to a section which is less susceptible to global financial markets while at the same time has a steady revenue stream. Although the Group did not identify any investment opportunity as at the Latest Practicable Date, it is the intention of the Group to develop its catering and hotel business in the PRC as well as to continue to expand the market share of Zhong He Libert in a steady way by seeking strategic business partners or through its internal growth. The Company is also considering the possibility of expanding its Chinese cuisine and hotpot restaurants into other major cities/provinces in the PRC specialising in hotpot and local specialty. The Company will capture any suitable business opportunity for such expansion in the PRC if it arises in the future and will further conduct feasibility study in the relevant market if it can identify a suitable project. The Directors consider a closer relationship with CNI 23 and the Offeror may also provide the Group with a good opportunity to leverage on its relationship with CNI 23 in seeking entry into the catering and hotel industry in the PRC through the extensive business connections of the CNI 23. The Directors believe that after the Offeror has become the controlling shareholder of the Company, it will foster a closer relationship between CNI 23 and the Group and CNI 23 will refer more clients to Zhong He Libert through CNI 23's business connections. It is the intention of the Group to continue to expand its market share in a steady way by seeking suitable business opportunities and to participate in the relevant projects proactively once the Group can identify any suitable business opportunity. It is believed that such strategy will provide a solid platform for the Group to continue to expand as and when appropriate.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below shows the shareholding structure of the Company (based on the relevant filings under Part XV of the SFO – Disclosure of Interests) (i) immediately prior to the issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds in full; and (ii) as at the Latest Practicable Date and immediately after the issue of the Conversion Shares upon the exercise of the Conversion Rights attaching to the Convertible Bonds in full:

	Immediately prior to the issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds held by the Offeror and China He Investment HK in full (assuming no other changes in the issued share capital of the Company)		**As at the Latest Practicable Date and immediately after the issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds held by the Offeror and China He Investment HK in full (assuming no other changes in the issued share capital of the Company)**	
Shareholder	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
The Offeror *(Note 1)*	–	–	300,000,000	31.01
China He Investment HK *(Note 1)*	–	–	100,000,000	10.34
The Offeror and China He Investment HK – Sub-Total:	–	–	400,000,000	41.35
Hoylake Holdings Limited *(Note 2)*	114,240,000	20.14	114,240,000	11.81
Public	453,081,620	79.86	453,081,620	46.84
Total:	567,321,620	100.00	967,321,620	100.00

Notes:

1. China He Investment HK is a party acting in concert with the Offeror. It was the holder of the Convertible Bonds in the principal amount of HK$50 million, convertible into 100,000,000 Conversion Shares at HK$0.50 per Conversion Share (subject to adjustment).

2. Hoylake Holdings Limited is a company wholly owned by Mr. Chan Shu Kit, an executive Director.

INFORMATION ON CNI 23 AND THE OFFEROR

Your attention is drawn to the section headed "Information on CNI 23 and the Offeror" in the letter from Fortune Securities on page 16 of the Composite Document.

REASONS FOR AND BENEFITS OF THE OFFERS

Your attention is drawn to the section headed "Reasons For and Benefits of the Offers" in the letter from Fortune Securities on page 18 of the Composite Document.

The Board has considered the background of the Offeror and CNI 23, is a well-established company participating in the petrochemical and electrical installation projects in the PRC and overseas countries, therefore having extensive connection in its business, the completion of the Libert Acquisition and the potential expansion of Zhong He Libert's business to nuclear power facilities, the Directors consider that the Offeror's holding a controlling interest in the Company will (i) foster a closer relationship between CNI 23 and the Group, hence through the extensive business connection of CNI 23; and (ii) improve the reputation and standing of Zhong He Libert in the industry as CNI 23 will increase its indirect shareholding in Zhong He Libert as a result of the exercise of the Conversion Rights attaching to the CNI 23 HK Convertible Bonds in full, which may provide the Group, through Zhong He Libert, with more opportunities to participate in the business of prefabricated pipes and related equipment and facilities for various industries including nuclear power safety in the PRC and overseas. Zhong He Libert has been referred by CNI 23 with new clients in PRC and overseas including a reputable PRC company engages in the petrochemical industry and a major long-term contract was also successfully signed by CNI 23, Zhong He Libert and such PRC company for participating in an overseas petrochemical project which the parties have co-operated well. As such, the Directors believe that (i) the good reputation and extensive business network of CNI 23 in the PRC as well as its ability to identify and refer new clients or projects to Zhong He Libert; (ii) the closer business relationship between CNI 23 and the Group through Zhong He Libert; and (iii) the improvement in the reputation and standing of Zhong He Libert in the industry as a result of increase in indirect shareholding by CNI 23 may provide more opportunities for the Company, through Zhong He Libert, to participate in the business of prefabricated pipes and related equipment and facilities through business referrals by CNI 23 and/or other non-referred clients.

Furthermore, the nuclear power stations construction sites and training centres of CNI 23 in various provinces in the PRC have a strong demand for catering and hotel services which requires expertise in both operation and management. The Company is also considering the possibility of expanding its Chinese cuisine and hotpot restaurants into other major cities/provinces in the PRC specialising in hotpot and local specialty. The Company will capture any suitable business opportunity for such expansion in the PRC if it arises in the future and will further conduct feasibility study in the relevant market if it can identify a suitable project. As the Company has been engaged in the provision of quality catering and hotel services with extensive industry experiences and expertise, and the business environment in Hong Kong is very competitive, the Company is always looking for new opportunities to expand its existing catering and hotel businesses, the Directors consider a closer relationship with CNI 23 and the Offeror may also provide the Group with a good opportunity to leverage on its relationship with CNI 23 in seeking entry into the catering and hotel industry in the PRC through the extensive business connections of the CNI 23.

When considering the Proposed Amendments, the Directors were aware of the discount of the Conversion Price to the current market price per Share and noted that if the conversion restriction is uplifted, the cost to acquire the Shares by the Bondholders may be relatively lower than some public Shareholders and the dilution effect on the public Shareholders. The Directors also noted that the full exercise of the Conversion Rights will result in the gain in controlling interest by the Bondholders. If the Bondholders shall appoint new management to the Board, such new management may run the Company in a way which may be different from the existing management which in turn may or may not affect the returns to the Shareholders.

Notwithstanding the above, when considering the Proposed Amendments, the Directors had considered the audited net asset value of approximately HK$0.25 per Share as at 31 March 2009 with reference to the Conversion Price of HK$0.50 (representing a significant premium of 100% over such audited net asset value) which was also one of the factors considered when determining the Conversion Price as stated in the circular of the Company dated 26 February 2010. Also, the Directors had considered (i) the worsening financial condition of the Group in net liability position of approximately HK$0.49 billion as at 31 March 2010 and approximately HK$0.69 billion as at 31 March 2011 which were primarily due to the liabilities of the derivative financial instruments and convertible bonds of the Group for the relevant financial periods; and (ii) the unsatisfactory operating results (profit before taxation and fair value losses on derivative financial instruments, net) of approximately HK$21.9 million for the year ended 31 March 2010 and approximately HK$3.4 million for the year ended 31 March 2011. The Directors were of the view that although the Conversion Price of HK$0.50 represented a significant discount to the current market price per Share, it represented a premium over the net liability of the Company as at 31 March 2011 and the Directors expected that upon the full exercise of the Conversion Rights, the indebtedness of the Company would be significantly reduced and thus, the gearing ratio of the Company would also be improved. Also, the Directors had considered the loss per Share attributable to the Shareholders (basic and diluted) for the year ended 31 March 2011 of approximately HK$2.35 which was substantially lower than the Conversion Price.

Furthermore, after receiving the Request from the Offeror to amend the terms and conditions of the Convertible Bonds to uplift the conversion restriction restricting the Bondholders to exercise the Conversion Rights attaching to the Convertible Bonds, the Offeror indicated to the Company that it has no intention to change the existing business of the Group and the existing composition of the Board except that it may appoint additional Directors and change the chairman of the Company. Therefore, the Directors consider that the existing catering and hotel business will continue to be managed by the existing Directors with such experience and expertise whilst those existing Directors with relevant experience and expertise in the business of the manufacture and sale of prefabricated pipes and related equipment through the Company's indirect interest in Zhong He Libert will continue to manage such business. In addition, the Directors believe that the relevant expertise, management skills as well as the industry experience possessed by the senior management of the Offeror may also be introduced to the Group by the appointment of additional Directors. As such, the Directors believe that such arrangement will not have too much impact on the management of the Company's business. The Directors believe that the Group will be able to benefit from the closer relationship with CNI 23 through the shareholding of the Offeror in the Company.

INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the section headed "Intention of the Offeror regarding the Group" in the letter from Fortune Securities on page 18 of the Composite Document.

The intention of the Offeror in relation to the Group is noted by the Board and the Board is willing to render cooperation with the Offeror. In view of the intention of the Offeror regarding the Group, the Board believes that it is the Offeror's intention to promote stability within the Group and to further expand its existing catering and hotel businesses in the PRC and to develop the business of the manufacture and sale of prefabricated pipes and related equipment.

BOARD COMPOSITION OF THE COMPANY

Your attention is drawn to the section headed "Proposed Change of Board Composition" in the letter from Fortune Securities, including the biographies of the additional Directors proposed to be appointed by the Offeror, on pages 19 to 20 of the Composite Document.

The Board will make an announcement on the appointments of such additional Directors as soon as their appointments shall become effective.

MAINTAINING THE LISTING STATUS OF THE COMPANY

As stated in the letter from Fortune Securities, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. The respective directors of the Company (including Mr. Dong Yuchuan and Mr. Guo Shuwei upon their appointments as Directors after the despatch of the Composite Document) and the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that not less than 25% of the total number of Shares in issue will be held by the public as required by the Listing Rules.

If, at the close of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares. In this connection, it should be noted that upon the close of the Offers, there may be an insufficient level of public float in the Shares and trading in the Shares may be suspended until a sufficient level of public float is maintained.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee which comprises Mr. Chan Ka Ling, Edmond, Mr. Chang Nan and Dr. Dai Jinping, being all the independent non-executive Directors, has been established to advise and make recommendations to the Independent Shareholders, the Warrantholders and the Acquisition Convertible Bondholder in respect of the Offers.

As at the Latest Practicable Date, Mr. Han Naishan, an executive Director, is the deputy director general of CNI 23; Mr. Lei Jian, an executive Director, is a director of China He Investment HK, the holder of the China He Investment HK Convertible Bonds; and Mr. Song Limin, an executive Director, is the secretary of the board of directors of CNI 23, and none of them had any interest in the Company. Messrs. Han Naishan and Lei Jian did not attend the Board meeting held on 12 September 2011 approving the Proposed Amendments and Mr. Song Limin attended but abstained from voting at such Board meeting. The Board held another meeting on 24 October 2011 approving, amongst others, the details of the terms of the Amendment Agreement. Messrs. Han Naishan, Lei Jian and Song Limin did not attend such Board meeting held on 24 October 2011. Mr. Chan Shu Kit, an executive Director and the Chairman of the Company, is the sole shareholder of Hoylake Holdings Limited, which holds 114,240,000 Shares, representing approximately 11.81% of the existing issued share capital of the Company as at the Latest Practicable Date. Mr. Chan Ho Man, an executive Director, is the son of Mr. Chan Shu Kit. All of the executive Directors including the aforesaid Directors and Ms. Jian Qing and Mr. Chung Chi Shing were not appointed as members of the Independent Board Committee pursuant to the Takeovers Code.

The Directors, including all of the independent non-executive Directors after taking into account the opinion of the Independent Financial Adviser, (except for Messrs. Han Naishan, Lei Jian and Song Limin who attended the Board meeting but abstained from voting) consider that the terms of the Share Offer and the Acquisition Convertible Bond Offer are, on balance, fair and reasonable so far as the Independent Shareholders and the Acquisition Convertible Bondholder are concerned. Accordingly, the Directors, including all of the independent non-executive Directors, (except for Messrs. Han Naishan, Lei Jian and Song Limin who attended the Board meeting but abstained from voting) recommend the Independent Shareholders and the Acquisition Convertible Bondholder to accept the Share Offer and the Acquisition Convertible Bond Offer.

Having considered the terms of the Warrant Offer and taking into account the opinion of the Independent Financial Adviser, the terms of the Warrant Offer are not fair and reasonable so far as the Warrantholders are concerned. Accordingly, the Directors, including all of the independent non-executive Directors (except for Messrs. Han Naishan, Lei Jian and Song Limin who attended the Board meeting but abstained from voting) recommend the Warrantholders not to accept the Warrant Offer.

The Independent Board Committee has approved the appointment of GF Capital as the Independent Financial Adviser which advises the Independent Board Committee in respect of the Offers.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 36 to 37 of the Composite Document, which contains its recommendation to the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders in respect of the Offers; and (ii) the letter from GF Capital to the Independent Board Committee set out on pages 38 to 73 of the Composite Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offers and the principal factors considered by it in arriving at its opinions and recommendations.

ADDITIONAL INFORMATION

You are strongly advised to read the Composite Document together with the accompanying Form(s) of Acceptance for information relating to the Offers, taxation and procedures for acceptance and settlement of the Offers.

Your attention is also drawn to the additional information contained in the appendices to the Composite Document.

Shareholders should note that if the condition on the 50% valid acceptances mentioned in the paragraph headed "Condition of the Offers" above is not fulfilled, the Offers will not become unconditional and will lapse. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the Shares.

By order of the Board
TACK HSIN HOLDINGS LIMITED
Chan Shu Kit
Chairman

TACK HSIN HOLDINGS LIMITED
(德 興 集 團 有 限 公 司*)

(Incorporated in Bermuda with limited liability)
(Stock Code: 611)

12 December 2011

To the Independent Shareholders,
the Acquisition Convertible Bondholder and the Warrantholders

Dear Sir or Madam,

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE CONDITIONAL MANDATORY CASH OFFERS BY FORTUNE (HK) SECURITIES LIMITED ON BEHALF OF CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED (I) TO ACQUIRE ALL OF THE ISSUED SHARES IN THE CAPITAL OF TACK HSIN HOLDINGS LIMITED AND ALL CONVERTIBLE BONDS ISSUED BY TACK HSIN HOLDINGS LIMITED (OTHER THAN THOSE SHARES AND CONVERTIBLE BONDS ALREADY OWNED BY OR TO BE ACQUIRED BY CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT); AND (II) TO CANCEL ALL OUTSTANDING WARRANTS OF TACK HSIN HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY OR TO BE ACQUIRED BY CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

We refer to the composite offer and response document dated 12 December 2011 issued jointly by the Company and the Offeror to the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders (the "Composite Document"), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Composite Document unless the context requires.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders are concerned and acceptances to the Offers.

GF Capital has been appointed as the Independent Financial Adviser to advise us in respect of the Offers. Your attention is drawn to the letter from GF Capital set out in the Composite Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

* *for identification purpose only*

Having considered the terms of the Share Offer and the Acquisition Convertible Bond Offer and the letter of advice and recommendation from GF Capital, we consider that the terms of the Share Offer and the Acquisition Convertible Bond Offer are, on balance, fair and reasonable so far as the Independent Shareholders and the Acquisition Convertible Bondholder are concerned. Accordingly, we recommend the Independent Shareholders and the Acquisition Convertible Bondholder to accept the Share Offer and the Acquisition Convertible Bond Offer.

Having considered the terms of the Warrant Offer, the terms of the Warrant Offer are not fair and reasonable so far as the Warrantholders are concerned. Accordingly, we recommend the Warrantholders not to accept the Warrant Offer.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Tack Hsin Holdings Limited

Chan Ka Ling, Edmond **Chang Nan** **Dai Jinping**
Independent Non-executive Directors

The following is the full text of the letter of advice to the Independent Board Committee from GF Capital which has been prepared for inclusion in this Composite Document.

廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED

Suites 2301-2305 & 2313, COSCO Tower
183 Queen's Road Central
Hong Kong

12 December 2011

To the Independent Board Committee

Dear Sirs,

THE CONDITIONAL MANDATORY CASH OFFERS BY FORTUNE (HK) SECURITIES LIMITED ON BEHALF OF CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED (I) TO ACQUIRE ALL OF THE ISSUED SHARES IN THE CAPITAL OF TACK HSIN HOLDINGS LIMITED AND ALL CONVERTIBLE BONDS ISSUED BY TACK HSIN HOLDINGS LIMITED (OTHER THAN THOSE SHARES AND CONVERTIBLE BONDS ALREADY OWNED BY OR TO BE ACQUIRED BY CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT); AND (II) TO CANCEL ALL OUTSTANDING WARRANTS OF TACK HSIN HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY OR TO BE ACQUIRED BY CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION (HONG KONG) COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Offers, particulars of which are set out in the composite offer and response document issued jointly by the Offeror and the Company dated 12 December 2011 (the "**Composite Document**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

On 28 October 2011, the Offeror and the Company jointly announced that, among other things, the Offeror intended to make the Offers (in compliance with the Takeovers Code) through Fortune Securities (i) to acquire all of the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at the Share Offer Price of HK$0.50 per Share; (ii) to acquire the Acquisition Convertible Bonds not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at the Acquisition Convertible Bond Offer Price of HK$0.4167 for every HK$1.00 face value of the Acquisition Convertible Bonds; and (iii) for the cancellation of the Warrants not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at the Warrant Offer Price of HK$0.00001 per Warrant with an exercise price of HK$0.62 for each Share.

Fortune Securities has been appointed to make the Offers for and on behalf of the Offeror. Fortune Securities is making, on behalf of the Offeror, the Offers in compliance with Rule 26.1 and Rule 13 of the Takeovers Code on the following basis:

The Share Offer

For each Share .... HK$0.50 in cash

The Warrant Offer

For each Warrant with an exercise price of HK$0.62 for each Share .... HK$0.00001 in cash

The Acquisition Convertible Bond Offer

For every HK$1 face value of the Acquisition Convertible Bonds with an conversion price of HK$1.20 per Share .... HK$0.4167 in cash

Further details of the terms and conditions of the Offers, including the procedures for acceptance of the Offers, are set out in Appendix I to the Composite Document.

INDEPENDENT BOARD COMMITTEE

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee which comprises Mr. Chan Ka Ling, Edmond, Mr. Chang Nan and Dr. Dai Jinping, being all the independent non-executive Directors, has been established to advise and make recommendations to the Independent Shareholders, Warrantholders and Acquisition Convertible Bondholders in respect of the Offers.

As at the Latest Practicable Date, Mr. Han Naishan, an executive Director, is the deputy director general of CNI 23; Mr. Lei Jian, an executive Director, is a director of China He Investment HK, the holder of the China He Investment HK Convertible Bonds; and Mr. Song Limin, an executive Director, is the secretary of the board of directors of CNI 23, and none of them had any interest in the Company. Messrs. Han Naishan and Lei Jian did not attend the Board meeting held on 12 September 2011 approving the Proposed Amendments and Mr. Song Limin attended but abstained from voting at such Board meeting. The Board held another meeting on 24 October 2011 approving, amongst others, the details of the terms of the Amendment Agreement. Messrs. Han Naishan, Lei Jian and Song Limin did not attend such Board meeting held on 24 October 2011. Mr. Chan Shu Kit, an executive Director and the Chairman of the Company, is the sole shareholder of Hoylake Holdings Limited, which holds 114,240,000 Shares, representing approximately 11.81% of the existing issued share capital of the Company as at the Latest Practicable Date. Mr. Chan Ho Man, an executive Director, is the son of Mr. Chan Shu Kit. All of the executive Directors including the aforesaid Directors and Ms. Jian Qing and Mr. Chung Chi Shing were not appointed as members of the Independent Board Committee pursuant to the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document as provided by the Directors and/or the Offeror were true, accurate and complete in all material aspects at the time they were made and continue to be true, accurate and complete in all material aspects as at the date of the Composite Document. We have also relied on our discussion with the Directors and the management of the Company regarding the Group and the terms of the Offers, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and/or the Offeror respectively in the Composite Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Document nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the Offeror. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group, the Offeror and their respective associates nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications on the Independent Shareholders or the Acquisition Bondholders or the Warrantholders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders, the Acquisition Bondholders or the Warrantholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Offers, we have considered the following principal factors and reasons:

1. Background

References are made to the announcements made by the Company dated 20 January 2010, 17 September 2010 and 17 March 2011 and the circular of the Company dated 26 February 2010 regarding the subscription for the Convertible Bonds by China He Investment HK, the announcement of the Company dated 28 October 2011 regarding the Proposed Amendments and the possible Offers and the circular of the Company dated 16 November 2011 in respect of the Proposed Amendments.

On 9 September 2011, the Company received the Request from the Offeror to amend the terms and conditions of the Convertible Bonds to uplift the conversion restriction restricting the Bondholders to exercise the Conversion Rights attaching to the Convertible Bonds where such exercise may trigger an obligation for a mandatory general offer under the Takeovers Code.

The Company on 14 September 2011 informed the Offeror of its agreement to amend the terms and conditions of the Convertible Bonds subject to the fulfillment of the Conditions, details of which are set out in the paragraph headed "Conditions to the Proposed Amendments" in the Circular. The Offeror indicated its agreement to the Conditions on 16 September 2011.

The Bondholders unanimously approved the Proposed Amendments at a meeting of the Bondholders held on 3 October 2011. On 10 October 2011, the Amendment Agreement was entered into by the Company and the Bondholders. On 17 October 2011, the Stock Exchange confirmed its approval to the Proposed Amendments to the terms of the Convertible Bonds.

The Offeror has stated in the Request that upon the Proposed Amendments becoming effective, it intends to exercise the Conversion Rights attaching to the CNI 23 HK Convertible Bonds in full. On 17 October 2011, China He Investment HK, a party acting in concert with the Offeror, which held the Convertible Bonds in the principal amount of HK$50 million, has indicated to the Company its intention to exercise the Conversion Rights attaching to such Convertible Bonds held by it in full after the Proposed Amendments having become effective and at the same time when the Offeror exercised the Conversion Rights attaching to the CNI 23 HK Convertible Bonds in full.

The special general meeting of the Company was held on 2 December 2011 at which the ordinary resolution was duly passed by the Shareholders entitled to vote at such meeting to approve, among other things, the Proposed Amendments, the terms and conditions of the amended and restated Bond Instrument and its adoption. On 2 December 2011, the Offeror and China He Investment HK submitted their respective notices of conversion to the Company to fully exercise their respective Conversion Rights attaching to the Convertible Bonds and on 5 December 2011, 300,000,000 Conversion Shares and 100,000,000 Conversion Shares were issued to the Offeror and China He Investment HK respectively.

As at the Latest Practicable Date, none of the Offeror and parties acting in concert with it owned any voting rights, rights over Shares or rights over which it had control or direction over the Company, apart from the Conversion Shares issued upon exercise of the Conversion Rights attaching to the Convertible Bonds. On 2 December 2011, all of the Conditions were fulfilled and the Proposed Amendments became effective. On 2 December 2011, the Offeror and the holder of the Convertible Bonds in the principal amount of HK$50 million, China He Investment HK, a party acting in concert with the Offeror, submitted their respective notices of conversion to the Company to fully exercise their respective Conversion Rights attaching to the Convertible Bonds and on 5 December 2011, the Company allotted and issued 300,000,000 Conversion Shares and 100,000,000 Conversion Shares to the Offeror and China He Investment HK respectively.

Upon full exercise of the Conversion Rights attaching to the Convertible Bonds held by the Offeror and China He Investment HK in full, the Offeror and China He Investment HK became interested in 300,000,000 and 100,000,000 Conversion Shares respectively, representing approximately 52.88% and 17.63% respectively of the issued share capital of the Company immediately before the issue of the Conversion Shares upon full exercise of the Conversion Rights and approximately 31.01% and 10.34% respectively of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares pursuant to the exercise in full of the Conversion Rights attaching to the Convertible Bonds. Thus, the controlling shareholder of the Company has been changed as a result of the full conversion of the Convertible Bonds.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror is required to make the Warrant Offer for the cancellation of all outstanding Warrants and the Acquisition Convertible Bond Offer for all the outstanding Acquisition Convertible Bonds pursuant to Rule 13.1 of the Takeovers Code.

As at the Latest Practicable Date, the Company had (i) 967,321,620 Shares in issue; (ii) outstanding Warrants to subscribe for 94,354,839 Shares; and (iii) the Acquisition Convertible Bonds which may be converted into 100,000,000 Shares upon exercise of the conversion rights in full. Save as disclosed above, as at the Latest Practicable Date, there were no other outstanding warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

2. Business and financial performance of the Group

(a) Financial performance of the Group

The Group is principally engaged in property investment, hotel and restaurant operations. In addition, the Group also has investment in an associate which is principally engaged in the manufacturing of prefabricated pipes and related equipment for uses by chemical plants in the PRC and overseas.

Set out below is an extract of the income statements of the Group for the two years ended 31 March 2011 and the six months ended 30 September 2011. Further details of the financial information of the Group are set out in Appendix II to the Composite Document.

	For the year ended 31 March		**For the six months ended 30 September**
	2010	**2011**	**2011**
	(audited)	*(audited)*	*(unaudited)*
	HK$'000	*HK$'000*	*HK$'000*
REVENUE	287,826	295,835	136,008
Other income and gains	15,536	2,769	1,773
Cost of inventories used	(90,138)	(93,728)	(43,690)
Staff costs	(81,810)	(83,099)	(42,974)
Rental expenses	(36,912)	(38,082)	(20,334)
Utility expenses	(22,138)	(21,974)	(10,540)
Depreciation	(7,147)	(6,630)	(3,617)
Other operating expenses	(40,156)	(48,638)	(27,135)
Fair value gains/(losses) on derivative financial instruments, net	(591,849)	(890,863)	179,299
Finance costs	(3,143)	(3,053)	(4,573)
PROFIT/LOSS BEFORE TAX	(569,931)	(887,463)	163,576
Income tax credit/(expense)	(3,459)	(1,621)	767
PROFIT/LOSS FOR THE YEAR	(573,390)	(889,084)	164,343
Attributable to:			
Owners of the Company	(574,902)	(890,647)	164,136
Non-controlling interest	1,512	1,563	207
	(573,390)	(889,084)	164,343

Source: annual reports and interim reports of the Company

Set out below is a summary of the revenue breakdown by segment of the Group for the two years ended 31 March 2011 and the six months ended 30 September 2011:

	For the year ended 31 March		For the six months ended 30 September
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Restaurant operations	274,294	275,202	124,036
Hotel operations	12,733	19,780	11,734
Property	799	853	238
Total	287,826	295,835	136,008

Source: annual reports and interim reports of the Company

For the year ended 31 March 2010 versus the year ended 31 March 2009

For the year ended 31 March 2010, the revenue of the Group amounted to approximately HK$287.8 million, representing an increase of approximately 3.7% as compared with that of the previous year. The Group's revenue derived from the restaurant operations and hotel operations increased by approximately 1.8% and 77.2% respectively for the year ended 31 March 2010 as compared with that of the previous year. The increase in revenue from hotel operations was due to the revenue contribution from a new member of Sunny Day Hotel opened in June 2009. The revenue derived from gross rental income of the property segment decreased by approximately 0.6% for the year ended 31 March 2010 as compared with that of the previous year.

For the year ended 31 March 2010, other income and gains of the Group increased to approximately HK$15.5 million, representing an increase of approximately 5.4 times as compared with that of the previous year. The increase in other income and gains of the Group was mainly due to (i) the fair value gains on investment properties of approximately HK$6 million for the year ended 31 March 2010 as compared to nil for the previous year; and (ii) gain on disposal of a property held for development of approximately HK$8.3 million for the year ended 31 March 2010 as compared to nil for the previous year. The increase in other income and gains was partially offset by a decrease in gain on forfeited deposits of nil for the year ended 31 March 2010 as compared to HK$1.4 million for the previous year. Meanwhile, the fair value losses on derivative financial instruments increased to approximately HK$591.8 million for the year ended 31 March 2010 from nil for the previous year. The fair value losses on derivative financial instruments was due to the recognition of derivative financial instruments of: (i) the Warrants resulting in a loss on fair value change of HK$91.8 million; (ii) the issuance of zero coupon convertible bonds with the principal amount of

HK$80,000,000 on 16 November 2009 ("2009 CB") resulting in a loss on fair value change of HK$212.6 million; and (iii) entering into a subscription agreement to issue the Convertible Bonds on 20 January 2010 resulting in a loss on fair value change of HK$287.4 million in respect of the forward contract regarding the issuance of the Convertible Bonds.

As a result of the above, the loss attributable to Shareholders amounted to approximately HK$574.9 million for the year ended 31 March 2010 as compared to the profit attributable to Shareholders of approximately HK$4.6 million for the year ended 31 March 2009. As disclosed in the annual report of the Company for the year ended 31 March 2010, excluding the fair value losses on the derivatives financial instruments, the Group would have recorded a profit of approximately HK$18.5 million from its core business for the year ended 31 March 2010. The relevant derivative financial liabilities and the related losses on changes in fair value are non-cash in nature.

For the year ended 31 March 2011 versus the year ended 31 March 2010

For the year ended 31 March 2011, the revenue of the Group amounted to approximately HK$295.8 million, representing an increase of approximately 2.8% as compared with that of the previous year. The Group's revenue derived from the restaurant operations, hotel operations and gross rental income of property segment increased by approximately 0.3%, 55.3% and 6.8% respectively for the year ended 31 March 2011 as compared with that of the previous year. The increase in revenue from hotel operations was due to the revenue contribution from the operations of two Sunny Day Hotels which were directly driven by retail industry and individual travelers.

For the year ended 31 March 2011, other income and gains of the Group decreased to approximately HK$2.8 million, representing a decrease of approximately 82.2% as compared with that of the previous year. The decrease in other income and gains of the Group was mainly due to (i) the decrease in fair value gains of investment properties of approximately HK$0.5 million for the year ended 31 March 2011 as compared to approximately HK$6.0 million for the year ended 31 March 2010; and (ii) the gain on disposal of an investment property of nil for the year ended 31 March 2011 as compared to approximately HK$8.3 million for the year ended 31 March 2010. The Group also incurred significant fair value losses on derivative financial instruments of approximately HK$890.9 million for the year ended 31 March 2011 as compared to HK$591.8 million for the year ended 31 March 2010. The fair value losses on derivative financial instruments was due to the recognition of: (i) a loss on fair value change of HK$196.6 million in respect of the outstanding Warrants; (ii) a loss on fair value change of HK$378.9 million in respect of the embedded derivative financial instrument of the 2009 CB which was converted into the Shares during the year; and (iii) a loss on fair value change of HK$321.8 in respect of the forward contract for the issuance of the Convertible Bonds which was settled when the Convertible Bonds were issued during the year.

As a result of the above, the loss attributable to Shareholders amounted to approximately HK$890.6 million for the year ended 31 March 2011 as compared to the loss attributable to Shareholders of approximately HK$574.9 million for the year ended 31 March 2010. As disclosed in the annual report of the Company for the year ended 31 March 2011, excluding the fair value losses on the derivatives financial instruments, the Group would have recorded a profit of approximately HK$1.8 million from its core business for the year ended 31 March 2011. The relevant derivative financial liabilities and the related losses on changes in fair value are non-cash in nature.

For the six months ended 30 September 2011 versus the six months ended 30 September 2010

For the six months ended 30 September 2011, the revenue of the Group amounted to approximately HK$136.0 million, representing a decrease of approximately 1.2% as compared with that of the previous year. The Group's revenue derived from the restaurant operations and property segment decreased for approximately 3.4% and 44.3% respectively for the six months ended 30 September 2011 as compared with that of the previous year. The decrease in gross rental income from property segment was due to decrease in rental period for the six months ended 30 September 2011 as compared with that of the previous year. The revenue derived from hotel operations increased by approximately 33.1% for the six months ended 30 September 2011 as compared with that of the previous year. The increase in revenue from hotel operations was due to the growth in revenue from Sunny Day Hotel for the first half of the year, with an occupancy rate of 89%, mainly benefiting from continuously increasing visitors.

Profit attributable to Shareholders amounted to approximately HK$164.1 million for the six months ended 30 September 2011 as compared to the profit attributable to Shareholders of approximately HK$69.7 million for the six months ended 30 September 2010. The significant increase in profit for the period was due to the recognition of the following derivative financial instruments: (i) the Warrants; (ii) the Convertible Bonds; and (iii) the Acquisition Convertible Bonds. As disclosed in the interim report of the Company for the six months ended 30 September 2011, excluding the fair value gains on these derivative financial instruments of approximately HK$179.3 million, the Group would have recorded a loss of approximately HK$15.0 million from its core business. The relevant derivative financial liabilities and the related losses on changes in fair value are non-cash in nature. As stated in the profit alert announcement of the Company published on 21 November 2011, the fair value gain should be due to the change in the Share price as at 30 September 2011 as compared to the Share price as at 31 March 2011.

(b) Financial position of the Group

Set out below is an extract of the financial positions of the Group as at 31 March 2010, 31 March 2011 and 30 September 2011. Further details of the financial information of the Group are set out in Appendix II to the Composite Document:

	As at 31 March 2010 *(audited)* *HK$'000*	**As at 31 March 2011** *(audited)* *HK$'000*	**As at 30 September 2011** *(unaudited)* *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	26,608	20,981	23,411
Investment properties	29,000	29,500	28,000
Prepaid land lease payments	7,174	7,073	7,023
Available-for-sale investment	–	500	500
Prepayment for acquisition of property, plant and equipment	–	1,253	–
Goodwill	–	–	105,440
Interest in an associate	–	–	93,637
Deferred tax assets, net	1,291	1,620	2,656
Total non-current assets	64,073	60,927	260,667
CURRENT ASSETS			
Inventories	2,540	3,905	11,879
Trade receivables	1,359	969	1,378
Prepayments, deposits and other receivables	16,160	16,544	19,568
Tax recoverable	–	516	313
Cash and cash equivalents	125,579	336,720	236,004
Total current assets	145,638	358,654	269,142
CURRENT LIABILITIES			
Trade payables	5,964	5,641	6,404
Other payables and accruals	14,634	20,622	20,006
Provision for long service payments	1,333	1,060	1,656
Derivative financial instruments	603,306	903,377	804,872
Tax payable	1,922	–	–
Total current liabilities	627,159	930,700	832,938
NET CURRENT LIABILITIES	(481,521)	(572,046)	(563,796)
TOTAL ASSETS LESS CURRENT LIABILITIES	(417,448)	(511,119)	(303,129)

	As at 31 March 2010 *(audited)* *HK$'000*	As at 31 March 2011 *(audited)* *HK$'000*	As at 30 September 2011 *(unaudited)* *HK$'000*
NON-CURRENT LIABILITIES			
Convertible bonds	69,201	178,924	222,703
Receipt in advance	–	–	250
Deferred tax liabilities, net	175	65	79
Total non-current liabilities	69,376	178,989	223,032
Net liabilities	(486,824)	(690,108)	(526,161)
DEFICIENCY IN ASSETS			
Equity attributable to owners of the Company			
Issued capital	36,332	56,732	56,732
Reserves	(526,192)	(749,479)	(585,739)
	(489,860)	(692,747)	(529,007)
Non-controlling interest	3,036	2,639	2,846
Total deficiency in assets	(486,824)	(690,108)	(526,161)

Source: annual reports and interim reports of the Company

The total assets of the Group amounted to approximately HK$209.7 million, HK$419.6 million and HK$529.8 million as at 31 March 2010, 31 March 2011 and 30 September 2011 respectively. As at 31 March 2010 and 31 March 2011, property, plant and equipment, investment properties and cash and cash equivalents were the major assets of the Group, which together accounted for approximately 86.4% and 92.3% of the total assets of the Group respectively. As at 30 September 2011, goodwill, interest in associate and cash and cash equivalents were the major assets of the Group, which together accounted for approximately 82.1% of the total assets of the Group. The Goodwill was arisen from the acquisition of Well Link during the six months ended 30 September 2011 and the interest in associate represented the Group's share of net assets of Zhong He Libert as at 30 September 2011.

The total liabilities of the Group amounted to approximately HK$696.5 million, HK$1,109.7 million and HK$1,056.0 million as at 31 March 2010, 31 March 2011 and 30 September 2011 respectively. As at 31 March 2010, 31 March 2011 and 30 September 2011, derivative financial instruments was the largest component of liability, representing approximately 86.6%, 81.4% and 76.2% respectively of the total liabilities of the Group.

(c) Cashflow of the Group

We summarize below the cashflow statements of the Group for the two years ended 31 March 2011:

	For the year ended 31 March	
	2010	**2011**
	HK$'000	*HK$'000*
Net cash flows from operating activities	14,328	10,402
Net cash flows used in investing activities	(33,468)	(22,382)
Net cash flows from financing activities	64,597	201,640
Net increase in cash and cash equivalents	**45,457**	**189,660**

Source: annual reports of the Company

As illustrated above, the net cash flows from financing activities greatly increased for the year ended 31 March 2011 as compared to that of the previous year, which was mostly attributable to the proceeds from issue of the Convertible Bonds. The cash and cash equivalents of the Group increased from approximately HK$86.6 million as at 31 March 2010 to approximately HK$276.2 million as at 31 March 2011.

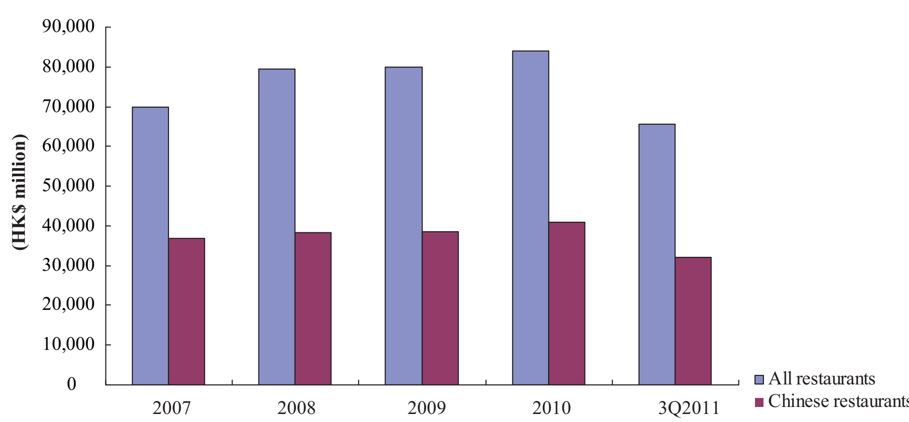
(d) Future prospect of the Group

As stated in the Letter from Fortune Securities, the Offeror intends to continue the existing business of the Group which includes the catering and hotel operations and the manufacture and sale of prefabricated pipes and related equipment for the uses in chemical plants via the interest held in Zhong He Libert.

- *Catering industry in Hong Kong*

For each of the two years ended 31 March 2011 and the six months ended 30 September 2011, revenue derived from restaurant operations accounted for over 90% of the total revenue of the Group.

Value of restaurants receipts



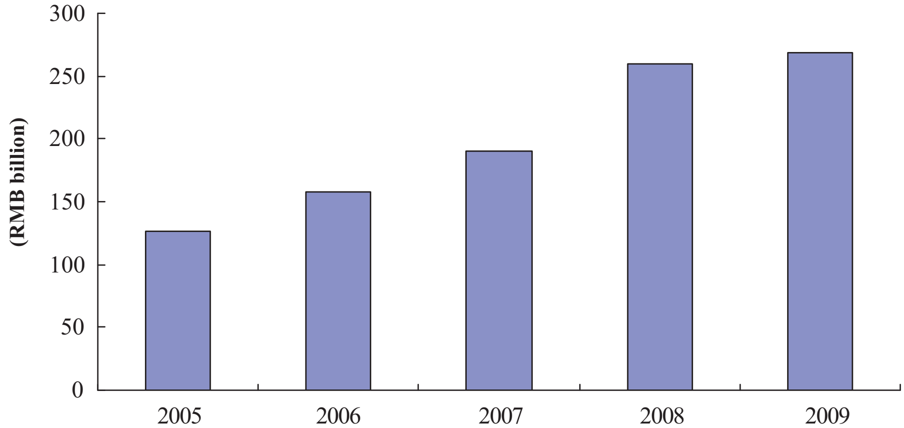
Source: Census and Statistical Department

According to Census Statistical Department, the value of restaurant receipts in Hong Kong grew from approximately HK$69,837 million in 2007 to HK$83,957 million in 2010, representing a compound annual growth rate of approximately 6.3%. The value of receipts from Chinese restaurants in Hong Kong grew from approximately HK$36,785 million in 2007 to HK$40,891 million in 2010, representing a compound annual growth rate of approximately 3.6%. During 2007 to 2010, the growth in value of receipts of Chinese restaurants in Hong Kong was slim.

As disclosed in the annual report of the Company for the year ended 31 March 2011, the restaurants in Hong Kong were affected by imported inflation, thereby directly resulted in a rise in food prices. As a result, the overall gross profit of the Group was reduced inevitably. For the year ended 31 March 2011, the total cost of the Group (mainly incurred due to restaurant operations) amounted to approximately HK$292.2 million, of which major costs included cost of inventories used (as to approximately 32.1%), staff costs (as to approximately 28.4%), other operating expenses (as to approximately 16.6%) and rental expenses (as to approximately 13.0%), altogether accounted for approximately 90.1% of total cost of the Group. For the year ended 31 March 2011, cost of inventories used (mainly raw materials food cost), staff costs, other operating expenses (mainly advertising and promotion, building management fee and repair and maintenance cost) and rental expenses increased by approximately 4.0%, 1.6%, 21.1% and 3.2%, respectively, as compared with those of previous year. As advised by the management of the Company, the significant drop in profit recorded from core business of the Group (after excluding the fair value losses on derivative financial instruments) for the year ended 31 March 2011 was mainly due to the increase in the costs of restaurant operations as described above which could not be compensated by the increase in revenue. In view of the implementation of minimum wage requirement, the continual imported inflation in Hong Kong and the continual increase in rental expenses (all of the restaurant outlets of the Group are not self-owned but rented and over half of the tenancy agreements in respect of the restaurant outlets of the Group will be expired during 2012 to 2013 and are expected to be renewed upon expiry), it is expected that the costs of restaurants operations will increase. As stated in the Letter from the Board and the interim report of the Company for the six months ended 30 September 2011, the Company has been engaged in the provision of quality catering and hotel services with extensive industry experiences and expertise, and the business environment in Hong Kong is very competitive; and although Hong Kong may maintain a steady economy, the Group will have to face a fierce market competition in its catering and hotel business, respectively.

- *Catering services in the PRC*

Business revenue from catering services in the PRC



Source: China Statistical Yearbook 2010

According to China Statistical Yearbook 2010, the business revenue derived from catering services in the PRC grew from approximately RMB126.0 billion in 2005 to approximately RMB268.6 billion in 2009, representing a compound annual growth rate of approximately 20.8%.

As advised by the management of the Company, the Company has a track record to have operated restaurants in Shenzhen in 1994 and 1998, respectively, which operations however were ceased subsequently in 1999 and 2001, respectively, due to their loss making performance. The Offeror's intentions to expand the catering business of the Group in the PRC, if materialized, will expose the Group to certain risks given that the target customers will include the public. The PRC market may have different competitive conditions, consumer preferences and discretionary spending patterns from the Group's existing market. As a result, any new restaurants opened in the PRC market may be less successful than restaurants in its existing market. Consumers in the PRC may not be familiar with the Group's brand and it may need to build brand awareness in the PRC market through greater investments in advertising and promotional activities than it originally planned. The Group may find it more difficult in the PRC to hire, train and retain qualified employees who share its business philosophy and culture. Restaurants opened in the PRC market may also have lower average sales or higher construction, occupancy or operating costs than restaurants in existing market. In addition, the Group may have difficulty in finding reliable suppliers and distributors with adequate supplies of ingredients meeting its quality standards in the PRC. Sales at restaurants opened in the PRC market may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting the Group's over profitability.

Independent Shareholders should note that whilst the outlook of the catering services in the PRC is, as shown from above, positive in general, the Group may or may not benefit from such potential positive development in the industry. The extent to which the Group may benefit from the positive industry outlook depends on a lot of company-specific factors including but not limited to, the actual formulation (e.g. by way of franchising or opening of self-owned or rented restaurant outlets) and implementation of the relevant business plan by the management of the Group, the various risk factors described above, the catering industry in the PRC and the macro-economic development of the PRC.

- *Manufacture and sale of prefabricated pipes and related equipment*

As disclosed in the interim report of the Company, the turnover and loss of Zhong He Libert for the six months ended 30 September 2011 (being an associate of the Group principally engaged in the manufacturing and sale of pipes and related equipment for uses by chemical plants in the PRC and overseas) of approximately HK$4.2 million and HK$2.6 million respectively represented the turnover and loss (on 100% basis) for the period from the date of acquisition of Well Link, which indirectly held 25% equity interest in Zhong He Libert, on 1 September 2011 by the Company, and up to 30 September 2011. The Group's share of result of Zhong He Libert was a loss of approximately HK$0.65 million for the six months ended 30 September 2011.

In the absence of any intention or any plan of the Offeror (i) to acquire further interest in Zhong He Libert nor; (ii) on the acquisition, disposal or change of the Group's business other than that CNI 23 may set up an international training and information centres in various provinces in the PRC to provide training for employees, clients and overseas participants in the nuclear industry and the Company will be able to provide catering and hotel services for such international training centres (please refer to the Letter from Fortune Securities for details) which we are unable to obtain any relevant budget or business plan; in view of the slim growth in value of receipts of Chinese restaurants in Hong Kong in recent years and the expected continual increase in costs of restaurants operation which may or may not be compensated by the increase in revenue; and the uncertainty and risks of catering services in the PRC to which the Group will be exposed (amidst the growth potential therein which the Group may or may not benefit therefrom), we consider that the prospect of the Group is cautious. In view of the above, we consider that the Share Offer represents an alternative opportunity for the Independent Shareholders to realise their investment in the Company and (after taking into account of a number of other factors including (i) the net deficit position of the Group; and (ii) the substantially higher Implied PE Ratio (as represented by the Share Offer Price) than the price to earnings ratio of all of the Restaurants Comparable Companies as analysed in the ensuing section of this letter) the Share Offer is, on balance, fair and reasonable so far as the Independent Shareholders are concerned.

3. Background and intention of the Offeror regarding the Group

(a) Background of the Offeror

CNI 23 is a state-owned enterprise established in the PRC in 1958 and is one of the largest nuclear industry installation corporations in the PRC. CNI 23 is awarded by the PRC government as the main contractor for construction of nuclear plant with first class qualification. During more than 50 years of development, CNI 23 has been engaged in nuclear power projects, nuclear research projects and non-nuclear projects such as petrochemical and electrical installation projects in the PRC. It has been awarded national prizes including the Luban Prize. The directors of CNI 23 are Messrs. Dong Yuchuan, Wang Jiping, Han Naishan, Ms. Fan Qili, Messrs. Li Jing, Dong Yushu and Wang Feng.

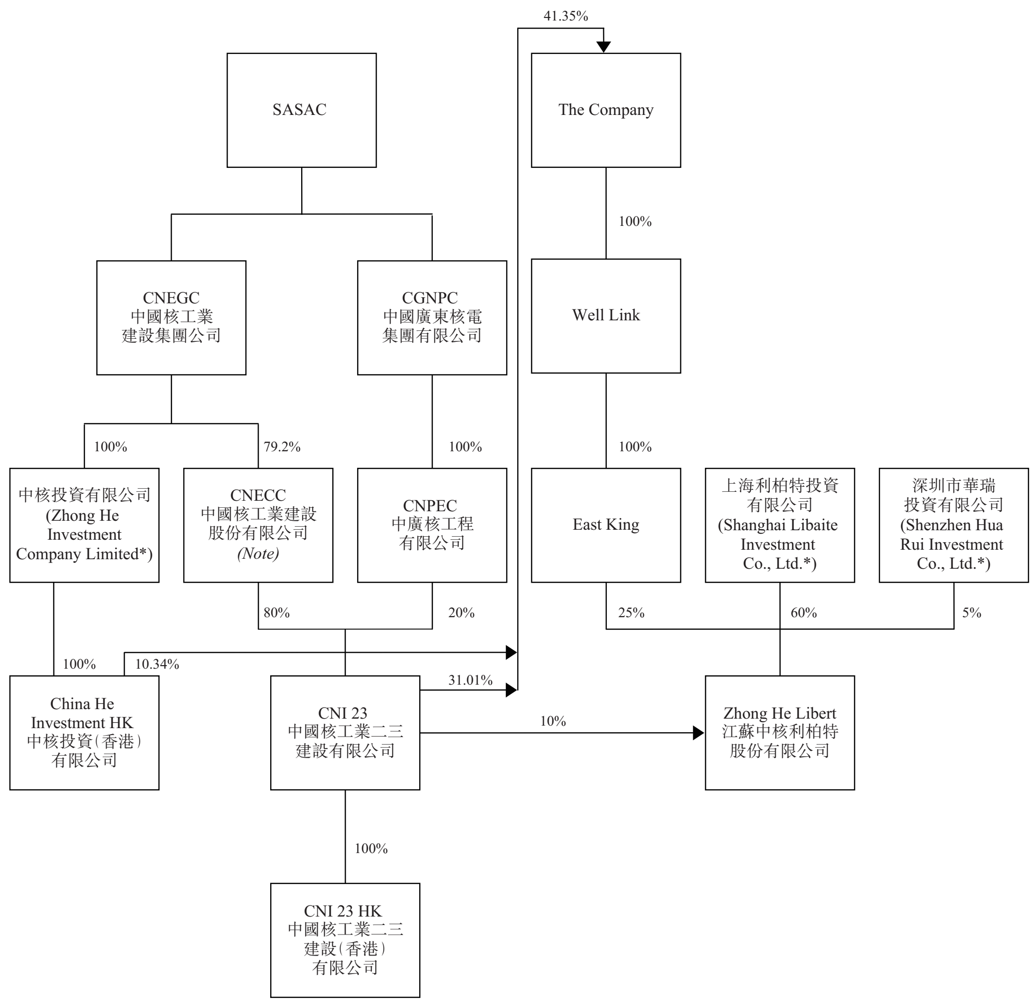
The Offeror is a company incorporated in Hong Kong on 11 March 2011. On 17 June 2011, the Offeror acquired the CNI 23 HK Convertible Bonds from China He Investment HK which were fully converted into 300,000,000 Conversion Shares on 5 December 2011 upon exercise of the Conversion Rights on 2 December 2011. The directors of the Offeror are Messrs. Guo Shuwei and Wei Xitao.

The Offeror is a wholly owned subsidiary of CNI 23. CNI 23 is owned as to 80% by CNECC and 20% by CNPEC. CNECC is owned as to 79.2% by CNEGC. CNPEC is 100% owned by CGNPC. Both CNEGC and CGNPC are under the direct supervision and management of SASAC.

CNEGC is also the sole shareholder of 中核投資有限公司 (Zhong He Investment Company Limited*), the sole shareholder of China He Investment HK. China He Investment HK held Convertible Bonds in the principal amount of HK$50 million which were fully converted into 100,000,000 Conversion Shares on 5 December 2011 upon exercise of the Conversion Rights on 2 December 2011 and is a party acting in concert with the Offeror.

CNI 23 owns 10% of the equity interest of Zhong He Libert and the remaining shareholders of Zhong He Libert are East King, 上海利柏特投資有限公司 (Shanghai Libaite Investment Co., Ltd.*) and 深圳市華瑞投資有限公司 (Shenzhen Hua Rui Investment Co., Ltd.*), owning as to 25%, 60% and 5% of the equity interests of Zhong He Libert respectively.

Set out below is the structure chart of the CNI Enterprise Group Companies as at the Latest Practicable Date:



* *For identification purpose only*

Note: The remaining shareholders of CNECC are 中國國新控股有限責任公司, 航天投資控股有限公司 and 中國信達資產管理股份有限公司 owning as to 1%, 4.95% and 14.85%, respectively. 中國國新控股有限責任公司 is under the direct supervision and management of SASAC. 航天投資控股有限公司 is owned as to 36.25% by 中國航天科技集團公司 which is under the direct supervision and management of SASAC. 中國信達資產管理股份有限公司 is owned by 中華人民共和國財政部.

(b) Intention of the Offeror regarding the Group

As set out in the letter from Fortune Securities, the Offeror intends to continue the existing business of the Group which includes the catering and hotel operations and the manufacture and sale of prefabricated pipes and related equipment for the uses in chemical plants via the interest held in Zhong He Libert. In addition to leveraging on the established position of its shareholder, CNI 23, in participating in the petrochemical and electrical installation projects in the PRC and overseas countries, the Offeror also intends to expand the catering and hotel business of the Group in the PRC. The Offeror does not have any intention nor any plan on the acquisition, disposal or change of the Group's business and it does not intend to change the existing composition of the Board except that it may appoint additional Director(s) after it has become the Company's controlling Shareholder upon full exercise of its Conversion Rights and after the despatch of the Composite Document. In addition, the Offeror does not have any intention nor any plan to redeploy the Group's employees or dispose of or redeploy the assets of the Group other than in the ordinary course of business. Furthermore, the Offeror does not have any intention nor any plan to acquire further interest in Zhong He Libert or any other companies involving in the manufacture and sale of prefabricated pipes and related equipment and the Offeror may consider further acquisition in such business if there will be suitable opportunity. For further details in relation to the intention of the Offeror regarding the Group, please refer to the Letter from Fortune Securities.

In view of the uncertainty and risks of catering services in the PRC to which the Group will be exposed (amidst the growth potential therein which the Group may or may not benefit therefrom) as discussed in the previous section of this letter, we consider that the prospect of the Group is cautious (based on the absence of further information available such as any relevant budget or business plan) and (after taking into account of a number of other factors including (i) the net deficit position of the Group; and (ii) the substantially higher Implied PE Ratio (as represented by the Share Offer Price) than the price to earnings ratio of all of the Restaurants Comparable Companies as analysed in the ensuing section of this letter) the Share Offer is, on balance, fair and reasonable so far as the Independent Shareholders are concerned.

(c) Proposed change of board composition

The Board is currently made up of ten Directors, comprising seven executive Directors and three independent non-executive Directors. It was originally intended that the existing composition of the Board would not be changed, as set out in the letter from Fortune Securities, the Offeror intended to appoint additional Director(s) after it became the controlling Shareholder upon full exercise of its Conversion Rights and completion of the Offers. As the Offeror had already become the controlling shareholder of the Company as at the Latest Practicable Date, the Offeror would like to play a more active role at the Board level as soon as possible and therefore it changed its original intention and intended to appoint Mr. Dong Yuchuan as an additional non-executive Director who will also be the chairman of the Company and Mr. Guo Shuwei as an executive Director which will take effect after the despatch of the Composite Document. Upon the appointment of the new non-executive Director as chairman of the Company, Mr. Chan Shu Kit, being the current chairman of the Company, will be the vice-chairman of the Company. Further announcement in respect of the appointment of Directors will be made in compliance with the requirements of the Listing Rules. Save as disclosed above, the Offeror does not intend that there will be any material change to the existing management and employees of the Group following the close of the Offers. In view of the above proposed change of board composition, the Independent Shareholders who are not confident in the new board of Directors may consider the Share Offer an alternative opportunity to realise their investment in the Company and (after taking into account of a number of other factors including (i) the net deficit position of the Group; and (ii) the substantially higher Implied PE Ratio (as represented by the Share Offer Price) than the price to earnings ratio of all of the Restaurants Comparable Companies as analysed in the ensuing section of this letter) the Share Offer is, on balance, fair and reasonable so far as the Independent Shareholders are concerned.

(d) Maintaining the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. The respective directors of the Company (including Mr. Dong Yuchuan and Mr. Guo Shuwei upon their appointments as Directors after the despatch of the Composite Document) and the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that not less than 25% of the total number of Shares in issue will be held by the public as required by the Listing Rules.

If, at the close of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares. In this connection, it should be noted that upon the close of the Offers, there may be an insufficient level of public float in the Shares and trading in the Shares may be suspended until a sufficient level of public float is maintained.

4. Share price performance and trading liquidity

Under the Share Offer, the Share Offer Price represents:

(i) a discount of approximately 78.45% to the closing price of HK$2.32 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 77.17% to the average closing price of HK$2.19 per Share quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 77.97% to the average closing price of HK$2.27 per Share quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

(iv) a discount of approximately 79.84% to the average closing price of HK$2.48 per Share quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

(v) a discount of approximately 82.64% to the average closing price of HK$2.88 per Share quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;

(vi) a discount of approximately 85.25% to the average closing price of HK$3.39 per Share quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;

(vii) a discount of approximately 84.03% to the average closing price of HK$3.13 per Share quoted on the Stock Exchange for the 250 trading days up to and including the Last Trading Day;

(viii) a discount of approximately 70.59% to the closing price of HK$1.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

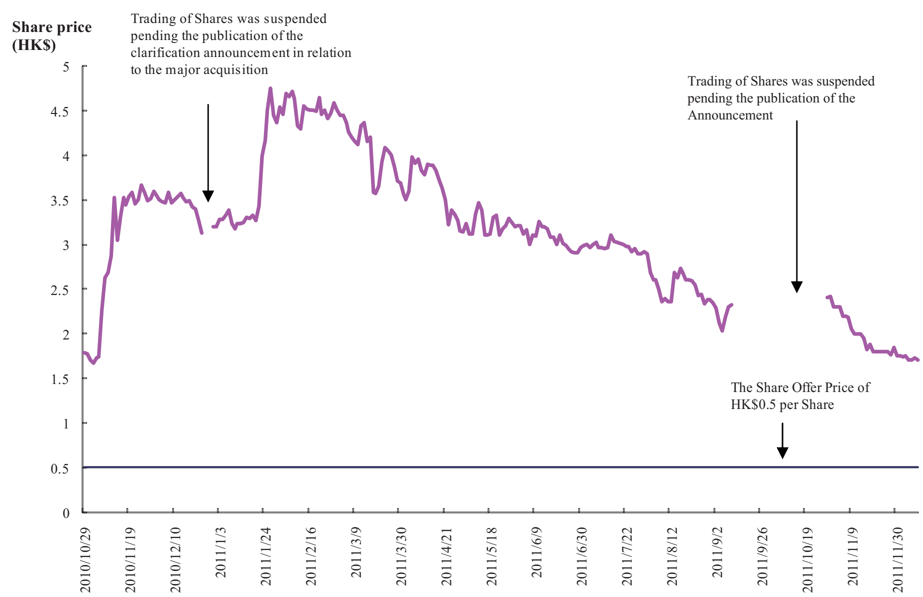
(ix) a premium over the audited consolidated net liabilities per Share attributable to Shareholders of approximately HK$1.22 as at 31 March 2011; and

(x) a premium over the unaudited consolidated net liabilities per Share attributable to Shareholders of approximately of HK$0.93 as at 30 September 2011.

The Share Offer Price of HK$0.5 represents a substantial discount to the current market price of the Share, and is the same as the Conversion Price of HK$0.5, the latter of which (i) has been considered by the Directors against the audited net asset value of approximately HK$0.25 per Share as at 31 March 2009 (representing a significant premium of 100% over such audited net asset value) as stated in the circular of the Company dated 26 February 2010; and (ii) was approved by the then Shareholders entitled to vote at the special general meeting held on 16 March 2010 (with 100% of the votes cast in favor of the relevant resolution) as part of the terms to approve the issue of the Convertible Bonds.

(a) Share price performance

We have reviewed the movements in the closing prices of the Shares for the period commencing from 29 October 2010, being the 12-month period prior to the date of the Announcement, up to the Latest Practicable Date (the "**Review Period**"). The closing prices of the Shares during the Review Period are set out below:



Source: www.hkex.com.hk

During the Review Period, the lowest closing price was HK$1.67 per Share recorded on 3 November 2010 and the highest closing price was HK$4.75 per Share recorded 26 January 2011 respectively. The Share Offer Price represents a discount of approximately 89.5% and approximately 70.1% respectively to such highest and lowest closing prices per Share during the Review Period.

On 8 November 2010 after trading hours, the Company published an unusual price and trading volume movements announcement stating that the Board has noted the increase in the share price and trading volume of the Shares and the Board was not aware of any reason for such increase other than that the Company was in preliminary negotiation with a potential seller in relation to a potential acquisition of a company and a potential grant of options to the potentials seller to subscribe for certain Shares. On 9 November 2010, the closing price of the Shares surged to HK$2.63.

On 22 November 2010 after trading hours, the Company published a positive profit alert announcement and informed the Shareholders that due to fair-value adjustment arising from derivative financial instruments issued or agreed to be issued during the six months ended 30 September 2010, the unaudited results of the Group for the six months ended 30 September 2010 were expected to record a significant increase in profit as compared to the profit for the corresponding period in 2009. The closing price of the Shares was HK$3.46 on 23 November 2010.

On 23 December 2010 after trading hours, the Company published an announcement in relation to a major acquisition involving issue of warrants. From 24 December 2010 to 29 December 2010, the trading of the Shares was suspended as requested by the Company pending the release of a clarification announcement in respect of the major acquisition. On 29 December 2010 after trading hours, the Company published the clarification announcement. On 30 December 2010, being the first trading day of the Shares after the publication of the clarification announcement, the closing price of the Shares rose to HK$3.2.

From 31 December 2010 to 16 March 2011, the closing prices of the Shares fluctuated between the range of HK$3.18 to HK$4.75, with a closing price of the Shares at HK$4.2 on 16 March 2011. On 17 March 2011 after trading hours, the Company published an announcement in relation to the completion of subscription for the Convertible Bonds. The closing price of the Shares dropped to HK$3.57 on 18 March 2011.

From 18 March 2011 to 13 May 2011, the closing prices of Shares were in general on a decreasing trend between the range of HK$3.12 to HK$4.09, with a closing price of the Shares at HK$3.39 on 13 May 2011. On 13 May 2011 after trading hours, the Company published an announcement in relation to the second supplemental agreement in respect of the major acquisition which the Company proposed to acquire further interest in Zhong He Libaite from 15% to 25%. On 16 May 2011, being the first trading day of the Shares after the publication of the announcement, the closing price of the Shares dropped to HK$3.1.

On 3 June 2011 after trading hours, the Company published a profit warning announcement. The closing prices of Shares dropped from HK$3.16 on 3 June 2011 to HK$3.0 on 7 June 2011, being the first trading day after the publication of the profit warning announcement.

From 1 August 2011 to 9 August 2011, the closing prices of Shares decreased from HK$2.92 to HK$2.36, representing a decrease of approximately 19.2%, which was generally in line with the movement of Hang Seng Index. During the same period, Hang Seng Index decreased by approximately 14.7%.

From 31 August 2011 to 6 September 2011, the closing prices of Shares decreased from HK$2.38 to HK$2.03. Then, a few days later on 12 September 2011, the trading of the Shares was suspended as requested by the Company pending the release of the Announcement until 27 October 2011. On 28 October 2011, being the first trading day of the Shares after the publication of the Announcement, the closing price of the Shares rose to HK$2.41.

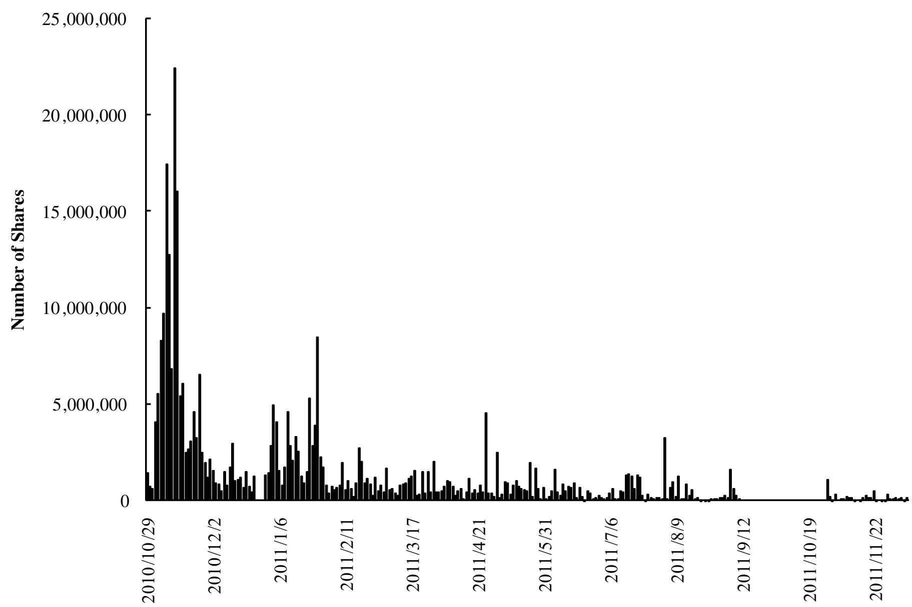
Based on the actual Share price performance as shown above (in particular, the general downward trend during the latter half of the Review Period), we are of the view that the rise in Share price after the release of Announcement, may not be representative of the recent financial or business performance of the Company, instead could likely be reflecting the market's perception and expectation towards the Announcement with the introduction of a new controlling Shareholder and the possible Offers.

From 31 October 2011 to 21 November 2011, the closing prices of Shares decreased from HK$2.42 to HK$1.8. On 22 November 2011 after trading hours, the Company published a profit alert announcement informing the Shareholders and potential investors that the results of the Group for the six months ended 30 September 2011 are expected to record a significant increase of profit as compared to the six months ended 30 September 2010. The closing price of Shares remained at HK$1.8 on 22 November 2011.

(b) Liquidity

The following chart shows the daily trading volume of the Shares during the Review Period:

Trading volume of the Shares



Source: www.hkex.com.hk

Month	Average daily trading volume for the month/period (number of shares) *(Note 1)*	Percentage of average daily trading for the month/period over total number of issued Shares at the end of the respective month/period *(Note 2)*	Percentage of average daily trading volume for the month/period over the total number of Shares held by the Independent Shareholders *(Note 3)*
2010			
October	1,422,000	0.39%	0.57%
November	6,531,840	1.79%	2.60%
December *(Note 4)*	1,210,227	0.33%	0.48%
2011			
January	2,843,689	0.77%	1.12%
February	944,444	0.26%	0.37%
March	806,891	0.14%	0.18%
April	778,222	0.14%	0.17%
May	727,290	0.13%	0.16%
June	410,943	0.07%	0.09%
July	493,200	0.09%	0.11%
August	376,790	0.07%	0.08%
September *(Note 5)*	420,209	0.07%	0.09%
October *(Note 5)*	623,000	0.11%	0.14%
November	103,448	0.02%	0.04%
December (including and up to the Latest Practicable Date)	74,286	0.01%	0.02%

Source: www.hkex.com.hk

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. Based on the total number of issued Shares at the end of the respective month/period.

3. Based on the total number of Shares held by the Independent Shareholders at the end of the respective month/period.

4. Trading of the Shares on the Stock Exchange was suspended from 24 to 29 December 2010 (both days inclusive).

5. Trading of the Shares on the Stock Exchange was suspended from 12 September to 27 October 2011 (both days inclusive).

As illustrated in the table above, the average daily trading volume of the Shares was within the range of approximately 0.07% to approximately 1.79% over the total number of issued Shares at the end of the respective month/period prior to the publication of the Announcement on 28 October 2011; and approximately 0.08% to approximately 2.60% over the then total number of Shares held in public hands prior to the publication of the Announcement. However, during the period from the publication of the Announcement to the Latest Practicable Date, the average daily trading volume of the Shares was within the range of approximately 0.01% to approximately 0.02% over the total number of issued Shares at the end of the respective month/period; and approximately 0.02% over the total number of Shares held in public hands at the end of the respective month/period.

The daily trading volume of the Shares were approximately 17.4 million Shares, 12.7 million Shares, 6.8 million Shares, 22.4 million Shares and 16.0 million Shares, respectively on 9, 10, 11, 12 and 15 November 2010, respectively. On 8 November 2010 after trading hours, the Company published an unusual price and trading volume movements announcement stating that the Board has noted the increase in the share price and trading volume of the Shares and the Board was not aware of any reason for such increase other than that the Company was in preliminary negotiation with a potential seller in relation to (a) a potential acquisition of a company which will be the holding company of (i) certain equity interests in a joint stock limited company in the PRC whose principal business was development, manufacturing and sale of equipment and facilities relating to nuclear power; and/or (ii) certain equity interests in a limited liability company in the PRC whose principal business was construction and installation of electricity and engineering projects; and (b) a potential grant of options to the potential seller to subscribe for certain Shares. We believe that the surge in trading volume during 9 November 2010 to 15 November 2010 may likely due to the market speculation in respect of the aforesaid announcement.

In view of the above, we consider that the liquidity of the Shares was generally thin during the Review Period. As such, the Independent Shareholders who may wish to realise their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares. Accordingly, we consider that the market price of the Share may not necessarily reflect the proceeds which Independent Shareholders can receive by disposal of the Shares in the open market and, thus, the Share Offer represents an alternative opportunity for the Independent Shareholders to realise their investment in the Company.

5. Comparison with comparable companies

(a) Price to earnings ratio and price to book ratio

Given that the Group (i) was loss-making for the year ended 31 March 2011; and (ii) recorded net liabilities as at 30 September 2011, we consider that neither the price-to-earnings approach nor the price-to-book approach to be applicable in assessing the fairness or reasonableness of the Share Offer Price in this case. However, it is noted that for each of the two years ended 31 March 2011 and as at 30 September 2011, the loss attributable to Shareholders and net deficit of the Group recorded, respectively, were mainly due to fair value loss on financial derivatives, which was not arising from the ordinary and usual course of business of the Group, and hence, for illustrative purpose only, the effects of the fair value losses on the derivatives financial instruments on the Group were excluded. As disclosed in the annual report of the Company for the year ended 31 March 2011, excluding the fair value losses on the derivatives financial instruments, the Group would have recorded a profit of approximately HK$1.8 million from its core business for the year ended 31 March 2011 (the "**Adjusted Profit**"). For illustrative purpose only, net asset of the Group as at 30 September 2011 would have been approximately HK$278.7 million after excluding the derivatives financial instruments (the "**Adjusted Net Asset**").

For illustrative purpose only, based on the Share Offer Price of HK$0.5 and the number of Shares in issue of 967,321,620 as at the Latest Practicable Date, the implied market capitalisation of the Company would be approximately HK$483,660,810, and the implied PE ratio (the "**Implied PE Ratio**") and the implied PB ratio (the "**Implied PB Ratio**") were approximately 271.9 times and 1.7 times respectively.

For each of the two years ended 31 March 2011 and the six months ended 30 September 2011, revenue derived from restaurant operations accounted for over 90% of the total revenue of the Group. We have conducted a search on the main board of the Stock Exchange and identified 9 companies listed on the Stock Exchange, which have more than half of the revenue generated from restaurant operations and/or provision of catering services for the latest financial year (the "**Restaurant Comparable Companies**"), being an exhaustive list of comparable companies to the best of our knowledge. We have compared the respective valuation multiples of the Restaurant Comparable Companies, with the Implied PE Ratio and Implied PB Ratio, details of which are set out in the table below.

Company	Stock code	Principal activities	Market capitalisation[1] *(HK$)* (1)	Net profit[2] *(HK$)* (2)	P/E (3) = (1)/(2)	Net asset value[2] *(HK$)* (4)	P/B (5) = (1)/(4)
Ajisen (China) Holdings Limited	538	Operation of restaurants and the manufacture and sales of noodle and related products	11,801,370,000	468,550,000	25.2	2,898,272,000	4.1
Café de Coral Holdings Limited	341	Operation of quick service restaurants, fast casual dining, institutional catering and specialty restaurant chains, and the food processing and distribution business	10,737,380,000	514,322,000	20.9	3,278,166,000	3.3
Little Sheep Group Limited	968	Operation of full-service restaurants chain, provision of catering services and sale of related food products	6,325,152,000	242,445,000	26.1	1,378,707,000	4.6
Tao Heung Holdings Limited	573	Operation of restaurant and provision of food catering services; operation of bakery; production, sale and distribution of food products related to restaurant operations	2,604,078,000	221,739,000	11.7	1,312,388,000	2.0
Fairwood Holdings Limited	52	Operation of fast food restaurants and property investments	1,402,090,000	123,842,000	11.3	464,047,000	3.0
G-Vision International (Holdings) Limited	657	Operation of Chinese restaurants in Hong Kong which specialises in Chiu Chow cuisine	795,159,800	(13,653,000)	N/A	152,962,000	5.2
Tang Palace (China) Holdings Limited	1181	Provision of a wide selection of food and beverage and table services in the PRC	664,000,000	56,302,510	11.8	365,791,470	1.8
Chevalier Pacific Holdings Limited	508	Food and beverages including restaurant and bar business	641,275,700	146,840,000	4.4	164,429,000	3.9

Company	Stock code	Principal activities	Market capitalisation[1] *(HK$)* (1)	Net profit[2] *(HK$)* (2)	P/E (3) = (1)/(2)	Net asset value[2] *(HK$)* (4)	P/B (5) = (1)/(4)
Vongroup Limited	318	Financial services businesses, securities businesses, property businesses, technology & media businesses and food & beverage businesses	222,674,700	(10,563,000)	N/A	348,927,000	0.6
				Median	**11.8**		**3.3**
				Mean	**15.9**		**3.2**
				Maximum	**26.1**		**5.2**
				Minimum	**4.4**		**0.6**
The Company	611	Property investment, hotel and restaurant operations. In addition, the Group also has investment in an associate which is principally engaged in the manufacturing of prefabricated pipes and related equipment for uses by chemical plants in the PRC and overseas		(890,647,000)	N/A	(529,007,000)	N/A
			Based on the Share Offer Price of HK$0.5 and 967,321,620 Shares in issue as at the Latest Practicable Date	**Adjusted Profit[3]**	**Implied PE Ratio**	**Adjusted Net Asset[4]**	**Implied PB Ratio**
			483,660,810	1,779,000	271.9	278,711,000	1.7

Source: www.hkex.com.hk and Bloomberg

Notes:

1. Based on the closing price on the Last Trading Day.

2. Based on the latest financial data as published in the respective annual reports, interim reports and interim results announcements as at the Latest Practicable Date.

3. Excluded the fair value losses on derivative financial instruments as disclosed in the Company's annual report for the year ended 31 March 2011.

4. Excluded the derivative financial instruments as disclosed in the Company's interim report for the six months ended 30 September 2011.

Price to earnings ratio

As illustrated in the table above, the Implied PE Ratio of approximately 271.9 times is substantially higher than the price to earnings ratio of all of the Restaurants Comparable Companies. Hence, from the perspective of price to earnings ratio with reference to the Restaurants Comparable Companies, we consider that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

Price to book ratio

As illustrated in the table above, the Implied PB Ratio of approximately 1.7 times is within the range of the price to book ratio of the Restaurants Comparable Companies of approximately 0.6 times to 5.2 times. Hence, from the perspective of price to book ratio with reference to the Restaurants Comparable Companies, we consider that the Share Offer Price, despite being lower than the mean and median of the price to book ratio of the Restaurants Comparable Companies is, on balance, fair and reasonable so far as the Independent Shareholders are concerned. In any event, it may not be most relevant in general to assess the Share Offer Price by reference solely to the net asset value as over 90% of revenue of the Group was generated from restaurant operations (where all of the restaurant outlets of the Group are not self-owned but rented) for the three years ended 31 March 2011 and, hence, the Group's non-asset business nature of restaurant operations would render any reference to its net assets level to be less meaningful than its earnings level.

(b) Price to dividends

As the Group did not declare or distribute any dividend for the year ended 31 March 2011, we consider that the price-to-dividends approach is not applicable in assessing the fairness or reasonableness of the Share Offer Price in this case.

Recommendation

The Share Offer

In assessing the Share Offer, we have taken into account of the following principal factors:

Positive Factors	Negative Factor
1. the Share Offer Price of HK$0.5 represented a premium over the unaudited consolidated net liabilities per Share attributable to Shareholders of approximately HK$0.93 per Share as at 30 September 2011;	1. the Share Offer Price of HK$0.5 represents a substantial discount to current market price of the Share.
2. the Share Offer Price of HK$0.5, is the same as the Conversion Price of HK$0.5, the latter of which (i) has been considered by the Directors against the audited net asset value of approximately HK$0.25 per Share as at 31 March 2009 (representing a significant premium of 100% over such audited net asset value) as stated in the circular of the Company dated 26 February 2010; and (ii) was approved by the Shareholders entitled to vote at the special general meeting held on 16 March 2010 (with 100% of the votes cast in favor of the relevant resolution) as part of the terms to approve the issue of the Convertible Bonds;	

Positive Factors	Negative Factor
3. the Implied PE Ratio of approximately 271.9 times is substantially higher than the price to earnings ratio of all of the Restaurants Comparable Companies and the Implied PB Ratio of approximately 1.7 times is within the range of the price to book ratio of the Restaurants Comparable Companies of approximately 0.6 times to 5.2 times (despite being lower than the mean and median of the price to book ratio of the Restaurants Comparable Companies);	
4. the continuous loss making situation of the Group during the two years ended 31 March 2011 and the significant profit of the Group recorded for the six months ended 30 September 2011 were mainly due to the fair value gain of financial derivatives instruments arising from the reduction in the Share price during the period;	
5. the financial performance of the Group has been deteriorating as shown from the financial results for the year ended 31 March 2011 and the six months ended 30 September 2011, as reflected by the profit recorded from core business after excluding the effect of fair value gain/loss of financial derivatives instruments;	
6. the net deficit and net current liabilities positions of the Group as at 31 March 2010, 31 March 2011, 30 September 2011 respectively;	

Positive Factors	Negative Factor
7. no dividend was distributed by the Company for the year ended 31 March 2011 and it is not certain that any dividend will be distributed in the foreseeable future;	
8. the trading liquidity of the Shares had been generally thin during the Review Period. Independent Shareholders who may wish to realise their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares. Accordingly, we consider that the market price of the Share may not necessarily reflect the proceeds which Independent Shareholders can receive by disposal of the Shares in the open market and, thus, the Share Offer represents an alternative opportunity for the Independent Shareholders to realise their investment in the Company;	

Positive Factors	Negative Factor
9. in the absence of any intention or any plan of the Offeror (i) to acquire further interest in Zhong He Libert nor; (ii) on the acquisition, disposal or change of the Group's business other than that CNI 23 may set up international training and information centres in various provinces in the PRC to provide training for employees, clients and overseas participants in the nuclear industry and the Company will be able to provide catering and hotel services for such international training centres which we are unable to obtain any relevant budget or business plan; in view of the slim growth in value of receipts of Chinese restaurants in Hong Kong in recent years and the expected continual increase in costs of restaurants operation which may or may not be compensated by the increase in revenue; and the uncertainty and risks of catering services in the PRC to which the Group will be exposed (amidst the growth potential therein which the Group may or may not benefit therefrom), we consider that the prospect of the Group is cautious and the Share Offer represents an alternative opportunity for the Independent Shareholders to realise their investment in the Company; and	
10. In view of the proposed change of board composition, the Independent Shareholders who are not confident in the new board of Directors may consider the Share Offer an alternative opportunity to realise their investment in the Company and the Share Offer.	

We have concern on the substantial discount as represented by the Share Offer Price of HK$0.5 to current market price of the Share, however, taking into account of wider perspective by considering the positive factors above, in particular, (i) the Share Offer Price of HK$0.5 represented a premium over the unaudited consolidated net liabilities per Share attributable to Shareholders of approximately HK$0.93 per Share as at 30 September 2011; (ii) the Share Offer Price of HK$0.5 is the same as the Conversion Price of HK$0.5, the latter of which was approved by the Shareholders entitled to vote at the special general meeting held on 16 March 2010 (with 100% of the votes cast in favor of the relevant resolution) as part of the terms to approve the issue of the Convertible Bonds; and (iii) the Implied PE Ratio of approximately 271.9 times is substantially higher than the price to earnings ratio of all of the Restaurants Comparable Companies, that the terms of the Share Offer are, on balance, fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer.

Independent Shareholders who wish to realise whole or part of their Shares but believe that they will be unable to sell the Shares in the market at a price higher than the Offer Price because of their size of the shareholding interests may consider the Share Offer as an alternative exit of their investments. However, Independent Shareholders who wish to realise whole or part of their Shares are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer.

On the other hand, for those Independent Shareholders who wish to retain some or all of their Shares as they are attracted by and confident in the prospects and/or the management of the Group after the close of the Offers or otherwise, they should carefully consider the intention of the Offeror regarding the Group, details of which are set out in the Letter from Fortune Securities. In any event, the Independent Shareholders should note the possibility that the generally thin trading volume recorded during most of the Review Period may render them difficult to dispose of their Shares in the market after the close of the Offers without exerting downward pressure on the price of the Shares. There is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable in the long term, or in the situation where the Offers fail to become unconditional.

Independent Shareholders are strongly advised that the decision to accept the Share Offer or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

The Acquisition Convertible Bond Offer

The Acquisition Convertible Bond Offer Price is HK$0.4167 for every HK$1.00 face value of the Acquisition Convertible Bonds (with the conversion price of HK$1.20 for each Share). Based on the Share Offer Price of HK$0.5 per Share divided by the prevailing conversion price of the Acquisition Convertible Bonds of HK$1.2 per Share, the Acquisition Convertible Bond Offer Price is HK$0.4167 for each HK$1 face value of the Acquisition Convertible Bonds.

On the basis of each HK$1 face value of the Acquisition Convertible Bonds will be offered for HK$0.4167 in cash and the conversion price of the Acquisition Convertible Bonds of HK$1.2 per Share, each underlying Share which may fall to be allotted and issued upon the exercise of the conversion rights attached to the Acquisition Convertible Bonds will be valued at HK$0.5 under the Acquisition Convertible Bond Offer, which is equivalent to the Share Offer Price.

In this respect, we consider the basis of determining the Acquisition Convertible Bond Offer Price is acceptable. On such basis and given our view that the terms of the Share Offer are, on balance, fair and reasonable, the terms of the Acquisition Convertible Bond Offer are fair and reasonable so far as the Acquisition Convertible Bond Holders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Acquisition Convertible Bond Holders to accept the Acquisition Convertible Bond Offer.

In any event, the Acquisition Convertible Bond Holders who wish to realise whole or part of their Acquisition Convertible Bonds should consider exercising their conversion right under the Acquisition Convertible Bonds and selling the Shares so converted in the open market, rather than accepting the Acquisition Convertible Bond Offer, if the net proceeds from such sale (after deducting all transaction costs) would exceed the net amount receivable under the Acquisition Convertible Bond Offer. The Acquisition Convertible Bonds Holders should exercise caution in doing so and monitor the market closely.

The Acquisition Convertible Bond Holders are strongly advised that the decision to accept the Acquisition Convertible Bond Offer or to convert the Acquisition Convertible Bonds and hold their investment in the Shares is subject to individual circumstances and investment objectives.

The Warrant Offer

The Warrant Offer Price is HK$0.00001 per Warrant as the exercise price of HK$0.62 for each Share under the Warrant exceeds the Share Offer Price.

Upon assessing the terms of the Warrant Offer, we envisage that the adoption of a "see-through" price (representing the difference between the offer price for ordinary shares and any given exercise price of the convertible instrument) is commonly regarded as the minimum offer price for any convertible instrument in conjunction with a general offer for ordinary shares. On such basis, the Warrants subject to the Warrant Offer would not command any positive sum of "see-through" price, as the Share Offer Price of HK$0.5 per Share payable under the Share Offer is lower than the exercise price of HK$0.62 per Share for the Warrants subject to the Warrant Offer. Accordingly, the Warrant Offer Price represents a nominal value of HK$0.00001 in cash attributed to each Warrant. On such basis, and taking into account that each of the Warrants subject to the Warrant Offer is "in-the-money" when comparing the exercise price of HK$0.62 per Share with the closing price of HK$2.32 per Share as quoted on the Stock Exchange on the Last Trading Day or (ii) HK$1.7 per Share on the Latest Practicable Date, we consider that the terms of the Warrant Offer are not fair and reasonable so far as the Warrantholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Warrantholders not to accept the Warrant Offer.

The Warrantholders who wish to realise whole or part of their Warrants should consider exercising their Warrants and selling the Shares so converted in the open market, rather than accepting the Warrant Offer, if the net proceeds from such sales (after deducting all transaction costs) would exceed the net amount receivable under the Warrant Offer. The Warrantholders should exercise caution in doing so and monitor the market closely.

The Warrantholders are strongly advised that the decision to accept the Warrant Offer or to exercise the Warrants and hold their investment in the Shares is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
GF Capital (Hong Kong) Limited

Danny Wan	**Harry Yu**
Managing Director and	*Director*
Head of Corporate Finance	

1. PROCEDURES FOR ACCEPTANCE

1.1 The Share Offer

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, marked "Tack Hsin Holdings Limited – Share Offer" on the envelope as soon as possible but in any event no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominee Limited.

(c) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Fortune Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorize and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Acceptance.

(e) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

(f) Seller's ad valerom stamp duty arising in connection with acceptance of the Share Offer will be payable by each Independent Shareholder at the rate of HK$1.00 for every HK$1,000 or part thereof of the consideration payable by the Offeror for such person's Shares and will be deducted from the cash amount due to such accepting Shareholder. The Offeror will pay the buyer's ad valerom stamp duty and will account to the Stamp Office of Hong Kong for all stamp duty payable on the sale and purchase of the Shares in respect of which valid acceptances are received under the Share Offer.

(g) If the Share Offer lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the **WHITE** Form of Acceptance to the relevant Independent Shareholder(s).

(h) No acknowledgement of receipt of any **WHITE** Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2 The Acquisition Convertible Bond Offer

(a) If you accept the Acquisition Convertible Bond Offer and the certificate(s) of the Acquisition Convertible Bonds and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are in your name, you should complete the **PINK** Form of Acceptance in accordance with the instructions printed thereon in respect of the outstanding principal amount of the Acquisition Convertible Bonds held by you that you wish to tender to the Acquisition Convertible Bond Offer, which instructions form part of the terms and conditions of the Acquisition Convertible Bond Offer.

(b) The completed **PINK** Form of Acceptance should be forwarded, together with the relevant certificate(s) of the Acquisition Convertible Bonds and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) which you intend to accept the Acquisition Convertible Bond Offer, by post or by hand to the Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, marked "Tack Hsin Holdings Limited – Acquisition Convertible Bond Offer" on the envelope as soon as possible but in any event no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(c) If the Acquisition Convertible Bond Offer lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the certificate(s) of the Acquisition Convertible Bonds and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the **PINK** Form of Acceptance to the Acquisition Convertible Bondholder.

(d) Seller's ad valerom stamp duty arising in connection with acceptance of the Acquisition Convertible Bond Offer will be payable by the Acquisition Convertible Bondholder at the rate of HK$1.00 for every HK$1,000 or part thereof of the consideration payable by the Offeror for the Acquisition Convertible Bondholder's Acquisition Convertible Bonds and will be deducted from the cash amount due to such accepting Acquisition Convertible Bondholder. The Offeror will pay the buyer's ad valerom stamp duty and will account to the Stamp Office of Hong Kong for all stamp duty payable on the sale and purchase of the Acquisition Convertible Bonds in respect of which valid acceptances are received under the Acquisition Convertible Bond Offer.

(e) No acknowledgement of receipt of any **PINK** Form of Acceptance and/or certificate(s) of the Acquisition Convertible Bonds and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.3 The Warrant Offer

(a) If you accept the Warrant Offer you should complete the **BLUE** Form of Acceptance in accordance with the instructions printed thereon in respect of the number of outstanding Warrants held by you that you wish to tender to the Warrant Offer, which instructions form part of the terms and conditions of the Warrant Offer.

(b) The completed **BLUE** Form of Acceptance should be forwarded, together with the relevant certificate(s) of the Warrants for not less than the number of the Warrants in respect of which you intend to accept the Warrant Offer, by post or by hand to the Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, marked "Tack Hsin Holdings Limited – Warrant Offer" on the envelope as soon as possible but in any event no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(c) If the Warrant Offer lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the certificate(s) of the Warrants lodged with the **BLUE** Form of Acceptance to the relevant Warrantholder(s).

(d) No stamp duty will be deducted from the amount paid to the Warrantholder(s) who accept(s) the Warrant Offer.

(e) No acknowledgement of receipt of any **BLUE** Form of Acceptance and/or certificate(s) of the Warrants will be given.

2. SETTLEMENT

2.1 The Share Offer

Subject to the Share Offer becoming or being declared unconditional and provided that a valid **WHITE** Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the Independent Shareholders who accepts the Share Offer less seller's ad valerom stamp duty in respect of the Shares tendered by it/him/her under the Share Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within 10 days of the later of the date on which the Share Offer becomes or is declared unconditional and the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valerom stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

2.2 The Acquisition Convertible Bond Offer

Subject to the Acquisition Convertible Bond Offer becoming or being declared unconditional and provided that a valid **PINK** Form of Acceptance and the relevant certificate(s) of the Acquisition Convertible Bonds and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Acquisition Convertible Bond Offer, a cheque for the amount due to the Acquisition Convertible Bondholder who accepts the Acquisition Convertible Bond Offer less seller's ad valerom stamp duty in respect of the Acquisition Convertible Bonds tendered by such Acquisition Convertible Bondholder under the Acquisition Convertible Bond Offer will be despatched to such Acquisition Convertible Bondholder by ordinary post at its own risk as soon as possible but in any event within 10 days of the later of the date on which the Acquisition Convertible Bond Offer becomes or is declared unconditional and the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any Acquisition Convertible Bondholder is entitled under the Acquisition Convertible Bond Offer will be implemented in full in accordance with the terms of the Acquisition Convertible Bond Offer (save with respect to the payment of seller's ad valerom stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Acquisition Convertible Bondholder.

2.3 The Warrant Offer

Subject to the Warrant Offer becoming or being declared unconditional and provided that a valid **BLUE** Form of Acceptance and the relevant certificate(s) and/or letter(s) of grant (as the case may be) of the Warrants are complete and in good order in all respects and have been received by the Registrar before the close of the Warrant Offer, a cheque for the amount due to the Warrantholders in respect of the Warrants tendered by it/him/her under the Warrant Offer will be dispatched to such Warrantholder by ordinary post at its/his/her own risk as soon as possible but in any event within 10 days of the later of the date on which the Warrant Offer becomes or is declared unconditional and the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any Warrantholder is entitled under the Warrant Offer will be implemented in full in accordance with the terms of the Warrant Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Warrantholder.

3. ACCEPTANCE PERIOD AND REVISIONS

(a) In order to be valid, Form(s) of Acceptance for the Offers must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the First Closing Date, unless the Offers become or are declared unconditional, or are extended or revised with the consent of the Executive. The Offers will be subject to satisfaction of the condition set out in the paragraph headed "Condition of the Offers" in the "Letter from Fortune Securities" of this Composite Document, which comprises the Offeror having received acceptances (and where permitted, not withdrawn) on or before 4:00 p.m. on the First Closing Date (or such other time as the Offeror may, subject to the Takeover Codes, decide) in respect of the Shares which, together with the Conversion Shares, will result in the Offeror together with parties acting in concert with it holding more than 50% of the Shares. Pursuant to the Takeovers Code, when the Offers are declared unconditional, the Offers will remain open for acceptance for not less than 14 days thereafter. The Offeror will make an announcement as and when the Offers become or are declared unconditional.

(b) The Offeror reserves the right to revise the Offers after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offers, all Independent Shareholders, Acquisition Convertible Bondholder and Warrantholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.

(c) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date or the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders who have not accepted the Offers, and an announcement will be released. The revised Offers will be kept open for at least 14 days following the date on which the revised offer document is posted.

(d) If the First Closing Date of the Offers is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the First Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.

(e) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders who accept the Offers become entitled to withdraw their acceptance under the paragraph headed "Right of withdrawal" below and duly do so.

4. ANNOUNCEMENTS

(a) By 6:00 p.m. on the First Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offers. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating, among other information required under Rule 19.1 of the Takeovers Code, whether the Offers have been revised, extended, or have expired or have become or been declared unconditional (and, in each case, whether as to acceptances or in all respects).

The announcement will state the total number of Shares and Warrants, and the total principal amount of Acquisition Convertible Bonds and rights over Shares:

(i) for which acceptances of the Offers have been received;

(ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and

(iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

In computing the total number or principal amount, as the case may be, of Shares, Acquisition Convertible Bonds, Warrants represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in paragraphs 1.1, 1.2 and 1.3 of this Appendix, and which have been received by the Registrar no later than 4:00 p.m. on the First Closing Date, unless the Offers become or are declared unconditional, or are extended or revised with the consent of the Executive, shall be included.

(b) As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

5. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offers tendered by the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of any of the Offers shall be entitled to withdraw his/her/its acceptance within 21 days from the First Closing Date if the Offers have not by then become unconditional as to acceptances. An acceptor of any of the Offers may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

(c) If an accepting Independent Shareholder, Acquisition Convertible Bondholder or Warrantholder withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post and at his/her/its own risk, the relevant Share certificate(s) (in respect of the Share Offer) or the relevant certificate(s) of the Acquisition Convertible Bonds (in respect of the Acquisition Convertible Bond Offer) or the relevant certificate(s) and/or letter(s) of grant (as the case may be) (in respect of the Warrant Offer) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders.

6. OVERSEAS SHAREHOLDERS, OVERSEAS ACQUISITION CONVERTIBLE BONDHOLDER AND OVERSEAS WARRANTHOLDERS

The Offers are in respect of securities of a company incorporated in Bermuda, the issued Shares of which are listed on the Stock Exchange, and are subject to the procedure and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions.

The Offeror is making available the Offers to all Independent Shareholders, the Warrantholders and the Acquisition Convertible Bondholder, including those who are resident outside Hong Kong. The availability of the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

The making of the Offers to the Overseas Shareholders, the Overseas Warrantholders and the Acquisition Convertible Bondholder who resides outside Hong Kong may be affected by the laws of the relevant jurisdictions. Such Overseas Shareholders, Overseas Warrantholders and Acquisition Convertible Bondholder should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of each of the Overseas Shareholders, Overseas Warrantholders and the Acquisition Convertible Bondholder wishing to accept the Offers to satisfy himself or herself or itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities, registration or legal requirements. Any accepting Overseas Shareholders, Overseas Warrantholders and Acquisition Convertible Bondholder will be responsible for any such issue, transfer or other taxes payable by such accepting Overseas Shareholders, Overseas Warrantholders and Acquisition Convertible Bondholder who resides outside Hong Kong. Acceptance of the Offers by any such person will constitute a warranty by such person(s) that such person(s) has(ve) observed and is/are permitted under all applicable laws and regulations to receive and accept the Offers and any revision thereof, and that he/she/it has obtained any requisite governmental, exchange control or other consents, complied with all other necessary formalities or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her/it in connection with such acceptance in any territory and that such acceptance shall be valid and binding in accordance with all applicable laws and regulations.

The Offeror reserves the right to notify any matter, including the making of the Offers to the Overseas Shareholders, the Overseas Warrantholders or the Acquisition Convertible Bondholder having a registered address outside of Hong Kong by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdictions in which such persons are resident. The notice so given will be deemed to have been sufficiently given, despite any failure by such Overseas Shareholders, Overseas Warrantholders and Acquisition Convertible Bondholder to receive or see that notice.

7. GENERAL

(a) All communications, notices, Forms of Acceptance, Share certificate(s), certificate(s) of the Acquisition Convertible Bonds, certificate(s) and/or letter(s) of grant (as the case may be) of the Warrants, transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Fortune Securities, Athens Capital, Partners Capital and any of their respective directors nor the Registrar or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Forms of Acceptance form part of the terms and conditions of the Offers.

(c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.

(d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, Fortune Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares and/or Acquisition Convertible Bonds and/or the Warrants in respect of which such person or persons has/have accepted the Offers.

(f) Acceptance of the Share Offer by any person will be deemed to constitute a warranty by such person to the Offeror and the Company:

(i) that the Shares tendered for acceptance under the Share Offer are sold by such person free from all rights of preemption, options, liens, claims, equities, charges, encumbrances and third parties rights, and together with all rights attached thereto as at the date of this Composite Document or which subsequently become attached thereto, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date of this Composite Document; and

(ii) that if such Shareholder accepting the Share Offer is an Overseas Shareholder, it/he/she has observed the laws of all relevant jurisdictions in connection therewith, obtained all requisite governmental, exchange control or other consents, complied with other necessary formalities, registration or legal requirements and paid any transfer or other taxes due from it/him/her in respect of such jurisdictions, and is permitted under all applicable laws to accept the Share Offer and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.

(g) Acceptances of the Acquisition Convertible Bond Offer and the Warrant Offer by the Acquisition Convertible Bondholder and any of the Warrantholders respectively will be deemed to constitute a warranty by such holders to the Offeror:

(i) that the Acquisition Convertible Bonds and the Warrants tendered for acceptance are free from all rights of preemption, options, liens, claims, equities, charges, encumbrances and third parties rights and be (in the case of the Acquisition Convertible Bond Offer) sold or (in the case of the Warrant Offer) cancelled, together with all rights attached thereto as at the date of this Composite Document or which subsequently become attached thereto, and the Warrantholders will surrender to the Company all of his/her/its existing rights, if any, in respect of the Warrants;

(ii) that if such Warrantholder or Acquisition Convertible Bondholder accepting the Warrant Offer or Acquisition Convertible Bond Offer (as the case may be) is an Overseas Warrantholder or Acquisition Convertible Bondholder who resides outside Hong Kong, it/he/she has observed the laws of all relevant jurisdictions in connection therewith, obtained all requisite governmental, exchange control or other consents, complied with other necessary formalities, registration or legal requirements and paid any transfer or other taxes due from it/him/her in respect of such jurisdictions, and is permitted under all applicable laws to accept the Warrant Offer or the Acquisition Convertible Bond Offer (as the case may be) and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.

(h) Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the **WHITE** Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Share Offer.

(i) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension or revision thereof and references to the relevant Offers become unconditional shall include a reference to the relevant revised Offers being declared unconditional.

(j) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the **WHITE** Form of Acceptance, by the Acquisition Convertible Bondholder in the **PINK** Form of Acceptance and by the Warrantholders in the **BLUE** Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.

(k) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

1. FINANCIAL SUMMARY FOR THE THREE YEARS ENDED 31 MARCH 2009, 2010, 2011 AND THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The following is a summary of the financial results of the Group for each of the three years ended 31 March 2009, 2010, 2011 and six months ended 30 September 2011. The information is extracted from the latest published financial statements of the Group prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The auditors' reports issued by Ernst & Young in respect of the Group's audited accounts for each of the three years ended 31 March 2009, 2010 and 2011 did not contain any qualification. For the years ended 31 March 2010 and 2011, the Company recorded the fair value losses on derivative financial instruments and for the six months ended 30 September 2011, the Company recorded a fair value gain on derivative financial instruments.

	Year ended 31 March			Six months ended 30 September
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	277,497	287,826	295,835	136,008
Fair value gain/(loss) on derivative financial instruments, net	–	(591,849)	(890,863)	179,299
Profit/(loss) before taxation	6,771	(569,931)	(887,463)	163,576
Income tax (expense)/credit	(947)	(3,459)	(1,621)	767
Profit/(loss) for the year/period	5,824	(573,390)	(889,084)	164,343
attributable to owners of the Company	4,606	(574,902)	(890,647)	164,136
attributable to non-controlling interests	1,218	1,512	1,563	207
Gain/(loss) on property revaluation	69	8	38	(195)
Share of other comprehensive loss of an associate	–	–	–	(201)
Total comprehensive income/(loss) for the year/period	5,893	(573,382)	(889,046)	163,947
attributable to owners of the Company	4,675	(574,894)	(890,609)	163,740
attributable to non-controlling interests	1,218	1,512	1,563	207
Earnings/(losses) per share basic	HK1.3 cents	(HK$1.59)	(HK$2.35)	HK28.93 cents
diluted	N/A	(HK$1.59)	(HK$2.35)	(HK1.48 cents)
Dividends per share	HK2.5 cents	HK1 cent	nil	nil
Dividends	9,008	3,618	–	–

For the year ended 31 March 2009

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of approximately HK$4,606,000 and the weighted average number of ordinary shares of 360,321,620 in issue during the year.

Diluted earnings per share amounts for the years ended 31 March 2009 have not been disclosed as no diluting events existed during the year ended 31 March 2009.

For the year ended 31 March 2010

The calculation of basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of approximately HK$574,902,000 and the weighted average number of ordinary shares of 361,075,045 in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2010 in respect of a dilution as the impact of the warrants and convertible bonds outstanding during the year had an anti-diluted effect on the basic loss per share amount presented.

For the year ended 31 March 2011

The calculation of basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of approximately HK$890,647,000 and the weighted average number of ordinary shares of 379,410,661 in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2011 in respect of a dilution as the impact of warrants and convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share amount presented.

For the six months ended 30 September 2011

The calculation of basic earnings per share is based on the unaudited profit for the period attributable to owners of the Company of approximately HK$164,136,000 and the weighted average number of ordinary shares of 567,321,620 in issue during the six months ended 30 September 2011.

The calculation of diluted loss per share is based on the unaudited profit for the period attributable to owners of the Company, adjusted to reflect the imputed interest on the convertible bonds and fair value gains on derivative financial instruments, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, adjusted to reflect the effect on ordinary shares deemed to be issued at no consideration if all dilutive potential ordinary shares have been exercised or converted into ordinary shares during the six months ended 30 September 2011.

For the three years ended 31 March 2009, 2010 and 2011 and the six months ended 30 September 2011, there were neither extraordinary nor exceptional items due to size, nature or incidence during such periods.

2. AUDITED FINANCIAL STATEMENTS

The following is the unqualified audited financial statements of the Group for the three years ended 31 March 2009, 2010 and 2011 as extracted from the annual reports of the Company for the years ended 31 March 2009, 2010 and 2011 respectively.

Extracts from the annual report of the Company for the year ended 31 March 2010

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	287,826	277,497
Other income and gains	5	15,536	2,891
Cost of inventories used		(90,138)	(94,232)
Staff costs		(81,810)	(80,742)
Rental expenses		(36,912)	(31,861)
Utility expenses		(22,138)	(21,299)
Depreciation	14	(7,147)	(6,185)
Other operating expenses		(40,156)	(38,836)
Fair value losses on derivative financial instruments		(591,849)	–
Finance costs	6	(3,143)	(462)
(LOSS)/PROFIT BEFORE TAX	7	(569,931)	6,771
Income tax expense	10	(3,459)	(947)
(LOSS)/PROFIT FOR THE YEAR		(573,390)	5,824
Attributable to:			
Owners of the parent	11	(574,902)	4,606
Minority interests		1,512	1,218
		(573,390)	5,824
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		(HK$1.59)	HK1.3 cents
Diluted		(HK$1.59)	N/A

Details of the dividends payable are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
(Loss)/profit for the year		(573,390)	5,824
Gain on property revaluation		8	69
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(573,382)	5,893
Attributable to:			
Owners of the parent	*11*	(574,894)	4,675
Minority interests		1,512	1,218
		(573,382)	5,893

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	26,608	26,206
Investment properties	15	29,000	23,000
Prepaid land lease payments	16	7,174	7,275
Property held for development	17	–	4,665
Deferred tax assets, net	28	1,291	1,924
Total non-current assets		64,073	63,070
CURRENT ASSETS			
Inventories		2,540	3,238
Trade receivables	19	1,359	726
Prepayments, deposits and other receivables	20	16,160	16,815
Cash and bank balances	21	125,579	41,120
Total current assets		145,638	61,899
CURRENT LIABILITIES			
Trade payables	22	5,964	4,852
Other payables and accruals	23	14,634	17,758
Interest-bearing bank borrowing	24	–	542
Provision for long service payments	25	1,333	2,372
Derivative financial instruments	27	603,306	–
Tax payable		1,922	173
Total current liabilities		627,159	25,697
NET CURRENT (LIABILITIES)/ASSETS		(481,521)	36,202
TOTAL ASSETS LESS CURRENT LIABILITIES		(417,448)	99,272
NON-CURRENT LIABILITIES			
Convertible bonds	26	69,201	–
Interest-bearing bank borrowing	24	–	9,689
Deferred tax liabilities, net	28	175	338
Total non-current liabilities		69,376	10,027
Net (liabilities)/assets		(486,824)	89,245
EQUITY/DEFICIENCY OF ASSETS			
Equity attributable to owners of the parent			
Issued capital	29	36,332	36,032
Reserves	30(a)	(526,192)	46,284
Proposed final dividend	12	–	5,405
		(489,860)	87,721
Minority interests		3,036	1,524
Total (deficiency of assets)/equity		(486,824)	89,245

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2010

		Attributable to owners of the parent								
	Notes	Issued capital *HK$'000*	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Fixed asset revaluation reserve *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Proposed final dividend *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 April 2008		36,032	37,934	5,266	348	7,069	9,008	95,657	306	95,963
Total comprehensive income for the year		–	–	–	69	4,606	–	4,675	1,218	5,893
Final 2008 dividend declared		–	–	–	–	–	(9,008)	(9,008)	–	(9,008)
Interim 2009 dividend	12	–	–	(3,603)	–	–	–	(3,603)	–	(3,603)
Proposed final 2009 dividend	12	–	–	(1,663)	–	(3,742)	5,405	–	–	–
At 31 March 2009 and 1 April 2009		36,032	37,934*	–	417*	7,933*	5,405	87,721	1,524	89,245
Total comprehensive income for the year		–	–	–	8	(574,902)	–	(574,894)	1,512	(573,382)
Conversion of warrants	29	300	6,036	–	–	–	–	6,336	–	6,336
Final 2009 dividend declared		–	–	–	–	–	(5,405)	(5,405)	–	(5,405)
Interim 2010 dividend	12	–	–	–	–	(3,618)	–	(3,618)	–	(3,618)
At 31 March 2010		36,332	43,970*	–	425*	(570,587)*	–	(489,860)	3,036	(486,824)

* These reserve accounts comprise the consolidated negative reserves of HK$526,192,000 (2009: reserves of HK$46,284,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2010

	Notes	**2010** *HK$'000*	**2009** *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(569,931)	6,771
Adjustments for:			
Fair value losses on derivative financial instruments		591,849	–
Finance costs	*6*	3,143	462
Interest income	*5*	(43)	(350)
Depreciation	*14*	7,147	6,185
Recognition of prepaid land lease payments	*7*	101	101
Fair value (gains)/losses on investment properties	*7*	(6,000)	2,000
Surplus arising from revaluation of buildings	*5*	(32)	(32)
Write off of deposits and other receivables	*7*	–	278
Gain on disposal of a property held for development	*5*	(8,335)	–
		17,899	15,415
Decrease in inventories		698	3,017
Increase in trade receivables		(633)	(242)
Decrease/(increase) in prepayments, deposits and other receivables		655	(3,059)
Increase/(decrease) in trade payables		1,112	(282)
Decrease in other payables and accruals		(3,124)	(816)
(Decrease)/increase in provision for long service payments		(1,039)	1,116
Cash generated from operations		15,568	15,149
Hong Kong profits tax paid		(1,240)	(578)
Net cash flows generated from operating activities		14,328	14,571
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	*14*	(7,509)	(9,144)
Additions of prepaid land lease payments	*16*	–	(2,552)
Proceeds from disposal of property held for development		13,000	–
Interest received		43	350
Increase in short term deposits with original maturity of more than three months		(39,002)	–
Net cash flows used in investing activities		(33,468)	(11,346)

	Notes	2010 HK$'000	2009 HK$'000
Net cash flows used in investing activities		(33,468)	(11,346)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds	26	80,000	–
Proceeds from issue of warrants	27	1,440	–
Issue of shares from conversion of warrants		2,700	–
Repayment of bank loans		(10,231)	(513)
Dividends paid		(9,023)	(12,611)
Interest paid		(289)	(465)
Net cash flows generated from/(used in) financing activities		64,597	(13,589)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		45,457	(10,364)
Cash and cash equivalents at beginning of year		41,120	51,484
CASH AND CASH EQUIVALENTS AT END OF YEAR		86,577	41,120
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	40,567	30,119
Time deposits		85,012	11,001
Cash and bank balance as stated in the consolidated statement of financial position		125,579	41,120
Time deposits with original maturity of more than three months		(39,002)	–
Cash and cash equivalents as stated in the statement of cash flows		86,577	41,120

STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	18	218,477	117,950
CURRENT ASSET			
Cash and bank balances	21	60	59
CURRENT LIABILITIES			
Other payables and accruals	23	11	9
Derivative financial instruments	27	603,306	–
Total current liabilities		603,317	9
NET CURRENT (LIABILITIES)/ASSETS		(603,257)	50
TOTAL ASSETS LESS CURRENT LIABILITIES		(384,780)	118,000
NON-CURRENT LIABILITIES			
Convertible bonds	26	69,201	–
Due to subsidiaries	18	32,891	28,750
Total non-current liabilities		102,092	28,750
Net (liabilities)/assets		(486,872)	89,250
EQUITY/DEFICIENCY OF ASSETS			
Issued capital	29	36,332	36,032
Reserves	30(b)	(523,204)	47,813
Proposed final dividend	12	–	5,405
Total (deficiency of assets)/equity		(486,872)	89,250

NOTES TO FINANCIAL STATEMENTS

31 March 2010

1. CORPORATE INFORMATION

Tack Hsin Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Unit 1203, 12/F, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

During the year, the Group was engaged in the following principal activities:

- restaurant operations
- property investments
- hotel operations

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the going concern concept notwithstanding the loss for the year ended 31 March 2010 of HK$573,390,000 and the net liabilities of the Group and the Company as at 31 March 2010 of HK$486,824,000 and HK$486,872,000, respectively.

The Group recorded significant loss for the current year and the net liabilities as at 31 March 2010 are due to the recognition of derivative financial instruments as follows:

- As disclosed in note 27 to the financial statements, the Company issued 72,000,000 warrants on 19 October 2009, resulting in a financial liability of HK$89,618,000 as at 31 March 2010 and a loss on fair value change of HK$91,814,000 for the year then ended.

- As disclosed in notes 26 and 27 to the financial statements, the Company issued zero coupon convertible bonds with the principal amount of HK$80,000,000 on 16 November 2009, resulting in a financial liability of HK$226,252,000 as at 31 March 2010 and a loss on fair value change of HK$212,599,000 for the year then ended in respect of the embedded derivative financial instrument of these convertible bonds.

- As disclosed in note 27 to the financial statements, the Company entered into a subscription agreement to issue zero coupon convertible bonds in the principal amount of HK$200,000,000 on 20 January 2010, resulting in a financial liability of HK$287,436,000 as at 31 March 2010 and a loss on fair value change of HK$287,436,000 for the year then ended in respect of the forward contract regarding the issuance of convertible bonds.

As a result of the above transactions, the Group recognised in aggregate, derivative financial instruments liabilities of HK$603,306,000 as at 31 March 2010 and fair values losses of HK$591,849,000 for the year then ended.

Despite the significant impact of the derivative financial instruments on the income statement and statement of financial position of the Group, the directors of the Company considered that these derivative financial instruments are non-cash in nature and would not affect the going concern of the Group. In case that all of the above mentioned derivative financial instruments are converted into the Company's ordinary shares, the related financial liabilities will be transferred as part of the share premium in respect of the issuance of the Company's own shares. In case that the above mentioned derivative financial instrument are not converted and are exercised by the holders, the financial liabilities will be reversed in the subsequent income statements upon redemption or expiration. As a result, the Company will in no event be obliged to settle any such financial liabilities by incurring cash payout or otherwise by using any of its assets. Therefore, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and accordingly, the consolidated financial statements have been prepared on a going concern basis.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, buildings and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010. The results of subsidiaries are consolidated from the dates of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 7 Amendments and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(a) HKAS 1 (Revised) ***Presentation of Financial Statements***

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expenses recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) Amendments to HKFRS 7 ***Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments***

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 36 to the financial statements while the revised liquidity risk disclosures are presented in note 37 to the financial statements.

(c) HKFRS 8 ***Operating Segments***

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling Interest in a subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Effective for annual periods beginning on or after 1 February 2010

[4] Effective for annual periods beginning on or after 1 July 2010

[5] Effective for annual periods beginning on or after 1 January 2011

[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of those new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial positions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Furniture and fixtures	15-20%
Air-conditioning plant	15-20%
Electrical appliances	20%
Office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Kitchen utensils, linen and uniforms

No depreciation is provided on the initial purchase of kitchen utensils, linen and uniforms which are capitalised at cost. The cost of subsequent replacement of these items is charged directly to the income statement in the year in which such expenditure is incurred.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included 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.

Property held for development

Property held for development is stated at the lower of cost and net realisable value and comprises land costs, construction costs, professional fees and other costs directly attributable to such property incurred during the development period.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances and trade and other receivables.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in finance costs in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Warrant liabilities

Warrant liabilities are initially recognised at fair value on the date of grant and are subsequently remeasured at fair value, changes in fair value of warrant liabilities are recognised in the consolidated income statement.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

Forward contracts

Forward contracts are derivative financial instruments and are initially recognised at fair value on which the forward contract is entered into. Forward contracts are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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; a discounted cash flow analysis; and other valuation models.

Inventories

Inventories comprise mainly food and beverages and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) receipts from restaurant operations, upon the delivery of food and beverages to customers;

(b) from the rendering of hotel services, when services have been rendered;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of contributed surplus or retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value of investment properties and buildings

Investment properties and buildings are carried in the statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and buildings, the corresponding adjustments to the gain or loss recognised in the income statement and fixed asset revaluation reserve. During the year, surplus arising from revaluation of buildings of approximately HK$32,000 (2009: HK$32,000) and HK$8,000 (2009: HK$69,000) were recognised in the income statement and fixed asset revaluation reserve, respectively. Fair value gains on investment properties for the year ended 31 March 2010 was approximately HK$6,000,000 (2009: loss of HK$2,000,000). Further details are contained in notes 14 and 15 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2010 was approximately HK$2,290,000 (2009: HK$2,386,000). The amount of unrecognised tax losses at 31 March 2010 was approximately HK$63,592,000 (2009: HK$69,109,000). Further details are contained in note 28 to the financial statements.

Estimation of fair value of derivative financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the restaurant segment comprises the Group's restaurant operations;

(b) the property segment comprises the Group's property investments;

(c) the hotel segment comprises the Group's hotel operations; and

(d) the corporate segment comprises the Group's corporate income and expense items.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, dividend income, fair value losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate assets as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

All of the Group's revenue from external customers is derived from the Group's operations in Hong Kong, and no non-current assets of the Group are located outside Hong Kong.

During the year ended 31 March 2010 and 2009, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended 31 March 2010	**Restaurant**	**Property**	**Hotel**	**Corporate**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	274,294	799	12,733	–	287,826
Intersegment sales	–	17,670	–	11,395	29,065
Other income and gains	875	14,378	240	–	15,493
Intersegment other income and gains	–	–	–	812	812
	275,169	32,847	12,973	12,207	333,196
Reconciliation:					
Elimination of intersegment sales					(29,065)
Elimination of intersegment other income and gains					(812)
Total					303,319
Segment results	14,094	13,357	(2,398)	(35)	25,018
Reconciliation:					
Interest income and unallocated gains					43
Interest on bank loans and overdrafts					(289)
Imputed interest on convertible bonds					(2,854)
Fair value losses on derivative financial instruments					(591,849)
Loss before tax					(569,931)
Segment assets	42,043	45,768	11,495	109,114	208,420
Reconciliation:					
Corporate and other unallocated assets					1,291
Total assets					209,711
Segment liabilities	13,767	1,742	4,458	1,964	21,931
Reconciliation:					
Unallocated liabilities					674,604
Total liabilities					696,535
Other segment information:					
Depreciation	4,602	68	2,167	310	7,147
Fair value gains on investment properties	–	(6,000)	–	–	(6,000)
Surplus arising from revaluation of buildings recognised directly in the income statement	(32)	–	–	–	(32)
Capital expenditure	2,932	–	3,252	1,325	7,509*

* Capital expenditure represents additions to property, plant and equipment.

Year ended 31 March 2009	Restaurant	Property	Hotel	Corporate	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	269,508	804	7,185	–	277,497
Intersegment sales	–	17,654	–	9,676	27,330
Other income and gains	1,060	1,369	112	–	2,541
Intersegment other income and gains	360	–	–	740	1,100
	270,928	19,827	7,297	10,416	308,468
Reconciliation:					
Elimination of intersegment sales					(27,330)
Elimination of intersegment other income and gains					(1,100)
Total					280,038
Segment results	10,190	(1,198)	(1,049)	(1,060)	6,883
Reconciliation:					
Interest income and unallocated gains					350
Interest on bank loans and overdrafts					(462)
Profit before tax					6,771
Segment assets	46,178	39,746	9,099	28,022	123,045
Reconciliation:					
Corporate and other unallocated assets					1,924
Total assets					124,969
Segment liabilities	17,374	2,669	2,740	2,372	25,155
Reconciliation:					
Unallocated liabilities					10,569
Total liabilities					35,724
Other segment information:					
Depreciation	4,753	45	1,339	48	6,185
Fair value losses on investment properties	–	2,000	–	–	2,000
Surplus arising from revaluation of buildings recognised in the income statement	(32)	–	–	–	(32)
Capital expenditure	11,405	–	264	27	11,696*

* Capital expenditure comprises of additions to property, plant and equipment and prepaid land lease payments.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the rental income received and receivable from investment properties and hotel operations during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Revenue		
Receipts from restaurant operations	274,294	269,508
Hotel operations	12,733	7,185
Gross rental income *(note 7)*	799	804
	287,826	277,497
Other income		
Bank interest income	43	350
Others	1,126	1,159
	1,169	1,509
Gains		
Fair value gains on investment properties *(note 15)*	6,000	–
Surplus arising from revaluation of buildings	32	32
Gain on disposal of a property held for development	8,335	–
Gain on forfeited deposits	–	1,350
	14,367	1,382
	15,536	2,891

6. FINANCE COSTS

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	289	462
Imputed interest on convertible bonds	2,854	–
	3,143	462

7. (LOSS)/PROFIT BEFORE TAX

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

	Group 2010 HK$'000	Group 2009 HK$'000
Minimum lease payments under operating leases:		
Land and buildings	36,912	31,861
Office equipment	171	112
	37,083	31,973

	Notes	Group 2010 HK$'000	Group 2009 HK$'000
Recognition of prepaid land lease payments	16	101	101
Fair value (gains)/losses on investment properties	15	(6,000)	2,000
Auditors' remuneration		860	792
Staff costs (including directors' remuneration *(note 8)*):			
Wages, salaries and bonuses		79,030	75,735
(Write back of provision)/provision for long service payments, net	25	(858)	1,540
Pension scheme contributions		3,638	3,467
Total staff costs		81,810	80,742
Write-off of deposits and other receivables		–	278
Gross rental income	5	(799)	(804)
Less: Outgoings		172	162
Net rental income		(627)	(642)

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group			
	Executive directors		Independent non-executive directors	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Fees	–	–	300	300
Other emoluments:				
Salaries, allowances and benefits in kind	2,101	1,884	–	–
Pension scheme contributions	39	33	–	–
	2,140	1,917	300	300

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Kung Fan Cheong	100	100
Chan Ka Ling, Edmond	100	100
Lo Kin Cheung	100	100
	300	300

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors

	Group			
	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2010				
Chan Shu Kit	–	1,008	12	1,020
Kung Wing Yiu	–	180	9	189
Chan Ho Man	–	696	12	708
Jian Qing (appointed on 19 October 2009)	–	217	6	223
	–	2,101	39	2,140
2009				
Chan Shu Kit	–	1,008	12	1,020
Kung Wing Yiu	–	180	9	189
Chan Ho Man	–	696	12	708
	–	1,884	33	1,917

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: three) non-director, highest paid employees for the year are as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	696	1,017
Pension scheme contributions	24	34
	720	1,051

The remuneration of the two (2009: three) non-director, highest paid employees fell within the band of nil to HK$1,000,000.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	2,989	450
Deferred *(note 28)*	470	497
Total tax charge for the year	3,459	947

A reconciliation of the tax (credit)/charge applicable to (loss)/profit before tax at the statutory rate, and a reconciliation of the applicable rate (i.e., the statutory tax rates) to the effective tax rate, are as follows:

	Group			
	2010		**2009**	
	HK$'000	*%*	*HK$'000*	*%*
(Loss)/profit before tax	(569,931)		6,771	
Tax at the statutory tax rate	(94,039)	16.5	1,117	16.5
Income not subject to tax	(158)		(140)	
Expenses not deductible for tax	98,367		603	
Tax losses utilised from previous periods	(1,713)		(1,656)	
Tax losses not recognised	803		722	
Temporary differences not recognised	199		301	
Tax charge at the Group's effective rate	3,459		947	

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended 31 March 2010 includes a loss of HK$573,435,000 (2009: profit of HK$6,227,000) which has been dealt with in the financial statements of the Company (note 30(b)).

12. DIVIDEND

	2010 HK$'000	2009 HK$'000
Interim – HK1 cent (2009: HK1 cent) per ordinary share	3,618	3,603
Proposed final – Nil (2009: HK1.5 cents) per ordinary share	–	5,405
	3,618	9,008

13. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic (losses)/earnings per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of approximately HK$574,902,000 (2009: profit of HK$4,606,000) and the weighted average number of ordinary shares of 361,075,045 (2009: 360,321,620) in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2010 in respect of a dilution as the impact of the warrants and convertible bonds outstanding during the year had an anti-diluted effect on the basic loss per share amount presented.

Diluted earnings per share amount for the year ended 31 March 2009 has not been disclosed as no diluting events existed during that year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Furniture and fixtures HK$'000	Air-conditioning plant HK$'000	Electrical appliances HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Kitchen utensils, linen and uniforms HK$'000	Total HK$'000
31 March 2010								
At 31 March 2009 and 1 April 2009:								
Cost or valuation	3,558	30,799	5,323	8,080	372	130	2,505	50,767
Accumulated depreciation	–	(17,108)	(2,270)	(4,777)	(276)	(130)	–	(24,561)
Net carrying amount	3,558	13,691	3,053	3,303	96	–	2,505	26,206
At 1 April 2009, net of accumulated depreciation	3,558	13,691	3,053	3,303	96	–	2,505	26,206
Additions	–	5,860	521	1,020	91	–	17	7,509
Surplus on revaluation	40	–	–	–	–	–	–	40
Depreciation provided during the year	(70)	(4,591)	(1,009)	(1,419)	(58)	–	–	(7,147)
At 31 March 2010, net of accumulated depreciation	3,528	14,960	2,565	2,904	129	–	2,522	26,608
At 31 March 2010:								
Cost or valuation	3,528	36,659	5,844	9,100	463	130	2,522	58,246
Accumulated depreciation	–	(21,699)	(3,279)	(6,196)	(334)	(130)	–	(31,638)
Net carrying amount	3,528	14,960	2,565	2,904	129	–	2,522	26,608
Analysis of cost or valuation:								
At cost	–	36,659	5,844	9,100	463	130	2,522	54,718
At 31 March 2010 valuation	3,528	–	–	–	–	–	–	3,528
	3,528	36,659	5,844	9,100	463	130	2,522	58,246

	Buildings HK$'000	Furniture and fixtures HK$'000	Air-conditioning plant HK$'000	Electrical appliances HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Kitchen utensils, linen and uniforms HK$'000	Total HK$'000
31 March 2009								
At 31 March 2008 and 1 April 2008:								
Cost or valuation	2,200	29,316	4,830	7,000	1,651	130	2,245	47,372
Accumulated depreciation	–	(16,232)	(2,196)	(4,136)	(1,532)	(130)	–	(24,226)
Net carrying amount	2,200	13,084	2,634	2,864	119	–	2,245	23,146
At 1 April 2008, net of accumulated depreciation	2,200	13,084	2,634	2,864	119	–	2,245	23,146
Additions	1,328	4,645	1,169	1,722	20	–	260	9,144
Surplus on revaluation	101	–	–	–	–	–	–	101
Depreciation provided during the year	(71)	(4,038)	(750)	(1,283)	(43)	–	–	(6,185)
At 31 March 2009, net of accumulated depreciation	3,558	13,691	3,053	3,303	96	–	2,505	26,206
At 31 March 2009:								
Cost or valuation	3,558	30,799	5,323	8,080	372	130	2,505	50,767
Accumulated depreciation	–	(17,108)	(2,270)	(4,777)	(276)	(130)	–	(24,561)
Net carrying amount	3,558	13,691	3,053	3,303	96	–	2,505	26,206
Analysis of cost or valuation:								
At cost	–	30,799	5,323	8,080	372	130	2,505	47,209
At 31 March 2009 valuation	3,558	–	–	–	–	–	–	3,558
	3,558	30,799	5,323	8,080	372	130	2,505	50,767

The Group's buildings were revalued at 31 March 2010, by CS Surveyors Limited, independent professionally qualified valuers, on an open market, existing use basis.

Had these buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$2,845,000 at 31 March 2010 (2009: HK$2,979,000).

During the year, surplus arising from revaluation of buildings of approximately HK$32,000 (2009: HK$32,000) and HK$8,000 (2009: HK$69,000) were recognised in the income statement and fixed asset revaluation reserve, respectively.

15. INVESTMENT PROPERTIES

	Group 2010 HK$'000	2009 HK$'000
Carrying amount at 1 April	23,000	25,000
Net profit/(loss) from a fair value adjustment *(note 7)*	6,000	(2,000)
Carrying amount at 31 March	29,000	23,000

At 31 March 2009, the investment properties with a carrying value of HK$23,000,000 were pledged to a bank to secure credit facilities granted to the Group (note 24). The pledge was released during the year.

The Group's investment properties were revalued at 31 March 2010, by CS Surveyors Limited, independent professionally qualified valuers, on an open market, existing use basis.

The investment properties are situated in Hong Kong and are held under medium term leases. They are leased to third parties under operating leases, further summary details of which are included in note 32(a) to the financial statements. Details of the investment property are as follows:

Location	**Use**
Lot No. 237 in Demarcation District No. 331, Cheung Sha, Lantau Island, New Territories	Investment property for rental income

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Carrying amount at 1 April	7,376	4,925
Additions	–	2,552
Recognised during the year *(note 7)*	(101)	(101)
Carrying amount at 31 March	7,275	7,376
Current portion included in prepayments, deposits and other receivables	(101)	(101)
Non-current portion	7,174	7,275

The prepaid land lease payments are situated in Hong Kong and are held under the following lease terms:

	HK$'000
Long term leases	5,127
Medium term leases	2,148
	7,275

17. PROPERTY HELD FOR DEVELOPMENT

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Carrying amount at 1 April (at cost)	4,665	4,665
Disposal	(4,665)	–
Carrying amount at 31 March (at cost)	–	4,665

Property held for development represents a development project which is situated in Hong Kong and is held under a medium term lease. Details of the property held for development are as follows:

Location	Use
Lot Nos. 2902-2906 & 2908 in Demarcation District No. 1, Tung Chung, Lantau Island, New Territories	Residential

18. INTERESTS IN SUBSIDIARIES

	Company 2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	238,075	238,075
Impairment	(177,146)	(200,125)
	60,929	37,950
Loan to a subsidiary	157,548	80,000
	218,477	117,950
Due to subsidiaries	32,891	28,750

The balances with the subsidiaries are unsecured, interest-free and not repayable within one year.

Impairment loss was recognised for certain unlisted investments because the relevant subsidiaries had suffered losses for years or ceased operations.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations[@]	Nominal value of issued capital	Percentage of equity interest attributable to the Company 2010	2009	Principal activities
Charmwide Development Limited	Hong Kong	HK$10,000*	100	100	Investment holding
First Charm Development Limited	Hong Kong	HK$100*	100	100	Property investment
Golden Target (Hong Kong) Limited	Hong Kong	HK$1*	100	100	Hotel operations
Grandward Limited	Hong Kong	HK$100* HK$2#	100	100	Property holding
Jade Terrace Restaurant (Causeway Bay) Limited	Hong Kong	HK$100* HK$680,000#	100	100	Restaurant operations
Newfame Development Limited	Hong Kong	HK$1*	100	100	Property development
Real Bright Asia Limited	Hong Kong	HK$100*	100	100	Dormant
Royal Power Investment Limited	Hong Kong	HK$4,600,000*	100	100	Dormant

Name	Place of incorporation and operations@	Nominal value of issued capital	Percentage of equity interest attributable to the Company 2010	2009	Principal activities
Tack Hsin (BVI) Holdings Limited	British Virgin Islands/Hong Kong	HK$17,763,202*	100	100	Investment holding
Tack Hsin Restaurant (London) Limited	Hong Kong	HK$100* HK$2#	100	100	Restaurant operations
Tack Hsin Restaurant (Peninsula) Limited	Hong Kong	HK$100* HK$2,380,000#	100	100	Restaurant operations
Top Excel Investment Limited	Hong Kong	HK$10,000*	51	51	Restaurant operations
Vastpro Developments Limited	Hong Kong	HK$2*	100	100	Property holding
Wealth Glory Investment Limited	Hong Kong	HK$100* HK$30,000#	100	100	Dormant

@ Unless otherwise stated, the place of operations is the place of incorporation.

* Ordinary shares

\# Non-voting deferred shares

All subsidiaries are indirectly held by the Company except Tack Hsin (BVI) Holdings Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly by cash and credit card settlement, except for certain well-established customers where the terms vary with these 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 aforementioned and 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.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group 2010	2009
	HK$'000	*HK$'000*
Within 3 months	1,359	638
4 to 6 months	–	66
7 to 12 months	–	22
	1,359	726

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Neither past due nor impaired	1,359	638
Less than 6 months past due	–	66
Over 6 months past due	–	22
	1,359	726

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Prepayments	454	861
Deposits	15,705	14,782
Other receivables	1	856
Tax recoverable	–	316
	16,160	16,815

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. CASH AND BANK BALANCES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	40,567	30,119	60	59
Time deposits	85,012	11,001	–	–
	125,579	41,120	60	59

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Within 3 months	5,964	4,852

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

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred credit on operating lease	7,924	6,515	–	–
Receipt in advance	926	1,465	–	–
Other payables	147	143	11	9
Accruals	5,637	9,635	–	–
	14,634	17,758	11	9

Other payables are non-interest-bearing and have an average term of 30 days.

24. INTEREST-BEARING BANK BORROWING

Group

	2010			2009		
	Contractual interest rate (%)	**Maturity**	*HK$'000*	**Contractual interest rate (%)**	**Maturity**	*HK$'000*
Current						
Secured bank loan	–	–	–	4.25-4.50 (Floating)	2010	542
Non-current						
Secured bank loan	–	–	–	4.25-4.50 (Floating)	2023	9,689
			–			10,231

Group

	2010	2009
	HK$'000	*HK$'000*
Analysed into:		
Bank loan repayable:		
Within one year	–	542
In the second year	–	567
In the third to fifth years, inclusive	–	1,849
Beyond five years	–	7,273
	–	10,231

At 31 March 2009, the bank loan was secured by the Group's investment properties with a carrying value of HK$23,000,000 (note 15), and corporate guarantees given by the Company and a subsidiary.

The Group's borrowing was denominated in Hong Kong dollars and the carrying amounts approximated to its fair value.

25. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 April	2,372	1,256
(Decrease)/increase for the year *(note 7)*	(858)	1,540
Amounts utilised during the year	(181)	(424)
At 31 March	1,333	2,372

The Group provides for probable future long service payments expected to be made to employees under the Employment Ordinance. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group at the end of the reporting period.

26. CONVERTIBLE BONDS

On 16 November 2009, the Company issued zero coupon convertible bonds (the "Convertible Bonds") in the principal amount of HK$80,000,000 for cash to an independent third party. The Convertible Bonds are convertible at the option of the bond holder into the Company's ordinary shares of HK$0.10 each at a conversion price of HK$0.40 per share from 17 February 2010 to 9 November 2012. Any convertible bonds not converted will be redeemed by the Company on 16 November 2012.

The conversion option of the Convertible Bonds exhibits characteristics of an embedded derivative and is separated from the liability components. On initial recognition, the fair value of the liability component of the Convertible Bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option or other embedded derivative. The embedded derivative component is measured at fair value and presented as a derivative financial instrument. At each reporting date, the embedded derivative component is remeasured and the change in fair value of that component is recognised in the consolidated income statement.

The Convertible Bonds issued during the year have been split as to the embedded derivative and the liability components as follows:

	Group and Company	
	Liability Component 2010	Embedded Derivative Component 2010
	HK$'000	*HK$'000*
Nominal value of the Convertible Bonds issued during the year	66,347	13,653
Imputed interest expense *(note 6)*	2,854	–
Fair value loss on derivative financial instruments	–	212,599
	69,201	226,252

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2010	2009
	HK$'000	*HK$'000*
Warrants (a)	89,618	–
Embedded derivatives of Convertible Bonds *(note 26)*	226,252	–
Forward contract (b)	287,436	–
	603,306	–

(a) On 19 October 2009, the Company issued 72,000,000 warrants at HK$0.02 each to certain independent third parties. Each warrant carries the right to subscribe for one share at HK$0.9 per share from 19 October 2009 to 18 October 2012. Any warrant rights not converted will be expired on 18 October 2012.

Movement of warrants during the year is as follows:

	Group and Company 2010
	HK$'000
At 1 April 2009	–
Issue of warrants	1,440
Fair value losses on warrants	91,814
Conversion of warrants	(3,636)
At 31 March 2010	89,618

(b) On 20 January 2010, the Company entered into a convertible bond subscription agreement (the "Subscription Agreement") with an independent subscriber (the "Subscriber") pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for zero coupon convertible bonds (the "Bonds") in the principal amount of HK$200,000,000, which can be convertible at the option of the bond holder into the Company's ordinary shares of HK$0.10 at a conversion price of HK$0.50 each from the end of the three-month period from the issue date up to (but excluding) the period of five business days ending on the maturity date. Any portion of the Bonds not converted will be redeemed by the Company on the date falling on the third anniversary of the issue date of the Bonds.

At the end of the reporting period, the Company has fulfilled the precedent requirements pursuant to the Subscription Agreement and is contractually obligated to issue the Bonds. In this regard, before the issuance of the Bonds, the Subscription Agreement is a forward contract within the scope of HKAS 39 and is recognised at its fair value as an asset or a liability on the commitment date and is subsequently remeasured at fair value.

As at 31 March 2010, the Group and the Company have recognised a derivative financial liability of HK$287,436,000 in respect of the forward contract.

28. DEFERRED TAX

Group

Deferred tax assets

	Losses available for offsetting against future taxable profits *HK$'000*
At 1 April 2008	3,462
Deferred tax charged to the income statement during the year *(note 10)*	(1,076)
Gross deferred tax assets at 31 March 2009	2,386
Deferred tax charged to the income statement during the year *(note 10)*	(96)
Gross deferred tax assets at 31 March 2010	2,290

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation *HK$'000*
At 1 April 2008	1,379
Deferred tax credited to the income statement during the year *(note 10)*	(579)
Gross deferred tax liabilities at 31 March 2009	800
Deferred tax charged to the income statement during the year *(note 10)*	374
Gross deferred tax liabilities at 31 March 2010	1,174

For presentation purposes, certain deferred tax assets and liabilities have been offset in the financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2010	**2009**
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	1,291	1,924
Net deferred tax liabilities recognised in the consolidated statement of financial position	175	338

At the end of the reporting period, the Group had tax losses arising in Hong Kong of approximately HK$63,592,000 (2009: HK$69,109,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL

	Group and Company	
	2010	**2009**
	HK$'000	*HK$'000*
Authorised:		
500,000,000 ordinary shares of HK$0.10 each	50,000	50,000
Issued and fully paid:		
363,321,620 (2009: 360,321,620) ordinary shares of HK$0.10 each	36,332	36,032

During the year, the movements in share capital were as follows:

On 10 December 2009, 15 December 2009 and 18 January 2010, 1,000,000, 500,000 and 1,500,000 warrants were respectively converted into ordinary shares of the Company at the conversion price of HK$0.9 per share, resulting in the issue of 3,000,000 ordinary shares of the Company and new share capital of HK$300,000 and share premium of HK$6,036,000 (before issue expenses). At the end of the reporting period, the Company had 69,000,000 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in issue of 69,000,000 additional ordinary shares of HK$0.10 each.

A summary of the transactions during the year in the Company's issued share capital is as follows:

	Number of shares in issue	**Issued capital**	**Share premium account**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 31 March 2008 and 31 March 2009	360,321,620	36,032	31,934	67,966
At 1 April 2009	360,321,620	36,032	31,934	67,966
Conversion of warrants	3,000,000	300	6,036	6,336
At 31 March 2010	363,321,620	36,332	37,970	74,302

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 91 of this Composite Document.

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

(b) Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008		37,934	216,256	(203,596)	50,594
Total comprehensive income for the year		–	–	6,227	6,227
Interim dividend	*12*	–	(3,603)	–	(3,603)
Proposed final dividend	*12*	–	(5,405)	–	(5,405)
At 31 March 2009 and 1 April 2009		37,934	207,248	(197,369)	47,813
Total comprehensive loss for the year		–	–	(573,435)	(573,435)
Interim dividend	*12*	–	(3,618)	–	(3,618)
Conversion of warrants		6,036	–	–	6,036
At 31 March 2010		43,970	203,630	(770,804)	(523,204)

The Company's contributed surplus represented the excess of the fair value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus if to do so would not render the Company's ability to pay its liabilities as they become due or the realisable value of its assets would not thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

31. CONTINGENT LIABILITIES

At the end of the reporting period, 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 of which HK$10,231,000 had been utilised as at 31 March 2009.

(b) The Company provided a guarantee to a third party in connection with rental payments of a subsidiary amounting to HK$7,008,000 (2009: HK$18,768,000).

At the end of the reporting period, the Group had no significant contingent liabilities.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15 to the financial statements) under operating lease arrangements, with remaining lease terms of one year. The terms of the leases generally require the tenants to pay security deposits.

At 31 March 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Within one year	842	106

(b) As lessee

The Group leases certain of its office premises, restaurant premises and office equipment under operating lease arrangements, with remaining lease terms ranging from one month to nine years.

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Within one year	35,221	31,421
In the second to fifth years, inclusive	67,889	76,159
After five years	25,730	37,345
	128,840	144,925

33. COMMITMENT

In addition to the operating lease commitments detailed in note 32 above, the Group and the Company had the following commitment as at the end of the reporting period:

	Group and Company	
	2010	**2009**
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Acquisition of an investment	7,314	–

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transaction with a related party during the year:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Transaction with a director:		
Rental expenses paid	72	72

The Group paid rental expenses to a director of the Company. The rentals were determined with reference to open market rentals.

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

	2010	2009
	HK$'000	*HK$'000*
Short term employee benefits	2,450	2,234
Post-employment benefits	51	45
Total compensation paid to key management personnel	2,501	2,279

The related party transactions in respect of item (a) above also constitute a connected transaction under the Listing Rules.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
– Loans and receivables				
Loan to a subsidiary	–	–	157,548	80,000
Trade receivables	1,359	726	–	–
Financial assets included in prepayments, deposits and other receivables	15,706	15,638	–	–
Cash and bank balances	125,579	41,120	60	59
	142,644	57,484	157,608	80,059
Financial liabilities				
– Financial liabilities at amortised cost				
Due to subsidiaries	–	–	32,891	28,750
Trade payables	5,964	4,852	–	–
Financial liabilities included in other payables and accruals	13,708	16,293	11	9
Interest-bearing bank borrowing	–	10,231	–	–
Convertible bonds	69,201	–	69,201	–
	88,873	31,376	102,103	28,759
Financial liabilities				
– Financial liabilities at fair value through profit or loss				
Derivative financial instruments	603,306	–	603,306	–

36. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 March 2010, the derivative financial instruments amounting to HK$603,306,000 (2009: Nil) are measured at fair value in Level 3.

The movements in fair value measurements in Level 3 during the year are as follows:

	Derivative financial instruments *HK$'000*
At 1 April 2009	–
Issuance of warrants	1,440
Embedded derivatives of Convertible Bonds	13,653
Total losses recognised in the income statement	591,849
Exercise of warrants	(3,636)
At 31 March 2010	603,306

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, mainly comprise cash, short term deposits and convertible bonds. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Most of the trade of the Group is on cash terms. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

The Group places its cash deposits with major international banks in Hong Kong. This investment policy limits the Group's exposure to concentrations of credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. In addition, banking facilities have been put in place for contingency purpose.

The maturity profile of the financial liabilities of the Group and the Company as at the end of the reporting periods, based on the contractual undiscounted payments, were as follows:

	Less than 3 months	**3 to less than 12 months**	**2 to less than 3 years**	**3 to 5 years**	**Beyond 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group – 2010						
Trade payables	5,964	–	–	–	–	5,964
Financial liabilities included in other payables and accruals	13,708	–	–	–	–	13,708
Convertible bonds	–	–	69,201	–	–	69,201
	19,672	–	69,201	–	–	88,873
Group – 2009						
Trade payables	4,852	–	–	–	–	4,852
Financial liabilities included in other payables and accruals	8,613	7,680	–	–	–	16,293
Interest-bearing bank borrowing	242	725	967	2,900	7,814	12,648
	13,707	8,405	967	2,900	7,814	33,793

	On demand HK$'000	Within 1 year HK$'000	Over 1 year HK$'000	2 to 3 years HK$'000	Total HK$'000
Company – 2010					
Due to subsidiaries	–	–	32,891	–	32,891
Financial liabilities included in other payables and accruals	–	11	–	–	11
Convertible bonds	–	–	–	69,201	69,201
Guarantee given to a third party in connection with rental payments of a subsidiary	7,018	–	–	–	7,018
	7,018	11	32,891	69,201	109,121
Company – 2009					
Due to subsidiaries	–	–	28,750	–	28,750
Financial liabilities included in other payables and accruals	–	9	–	–	9
Guarantee given to a third party in connection with rental payments of a subsidiary	18,768	–	–	–	18,768
	18,768	9	28,750	–	47,527

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from changes in the price of the Company's own shares to the extent that the Company's own equity investments underlie the fair values of derivatives. As at the end of the reporting period, the Group was exposed to this risk through the conversion rights attached to the Convertible Bonds and subscription rights attached to warrants issued by the Company and the forward contract regarding the issuance of convertible bonds.

The following table demonstrates the sensitivity to every 10% change in the fair value of the warrant, the embedded derivatives of Convertible Bonds and the forward contract as detailed in note 27, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount HK$'000	Increase/ decrease in loss before tax HK$'000	Increase/ decrease in equity HK$'000
2010			
Warrants liabilities	89,618	8,962	8,962
Embedded derivatives of Convertible Bonds	226,252	22,625	22,625
Forward contract	287,436	28,744	28,744

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2010 and 2009.

The Group monitors capital using gearing ratio, which is total debts divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios as at the end of the reporting periods were as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Convertible bonds	69,201	–
Interest-bearing bank borrowings	–	10,231
Total debts	69,201	10,231
Total equity	(486,824)	89,245
Gearing ratio	(0.14)	0.11

The deterioration in the gearing ratio in 2010 was primarily due to the financial liabilities of the derivative financial instruments, which will not result in significant cash outflows upon their realisation, as detailed in notes 26 and 27. The Group monitors its current and expected cashflow requirements to ensure it maintains sufficient cash and cash equivalents and has available funding to meet its working capital requirement.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 13 July 2010.

Extracts from the annual report of the Company for the year ended 31 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	295,835	287,826
Other income and gains	5	2,769	15,536
Cost of inventories used		(93,728)	(90,138)
Staff costs		(83,099)	(81,810)
Rental expenses		(38,082)	(36,912)
Utility expenses		(21,974)	(22,138)
Depreciation	14	(6,630)	(7,147)
Other operating expenses		(48,638)	(40,156)
Fair value losses on derivative financial instruments, net		(890,863)	(591,849)
Finance costs	6	(3,053)	(3,143)
LOSS BEFORE TAX	7	(887,463)	(569,931)
Income tax expense	10	(1,621)	(3,459)
LOSS FOR THE YEAR		(889,084)	(573,390)
Attributable to:			
Owners of the parent	11	(890,647)	(574,902)
Non-controlling interest		1,563	1,512
		(889,084)	(573,390)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted		(HK$2.35)	(HK$1.59)

Details of the dividends payable are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Loss for the year		(889,084)	(573,390)
Gain on property revaluation		38	8
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(889,046)	(573,382)
Attributable to:			
Owners of the parent	11	(890,609)	(574,894)
Non-controlling interest		1,563	1,512
		(889,046)	(573,382)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	20,981	26,608
Investment properties	15	29,500	29,000
Prepaid land lease payments	16	7,073	7,174
Available-for-sale investment	19	500	–
Prepayment for acquisition of property, plant and equipment		1,253	–
Deferred tax assets, net	28	1,620	1,291
Total non-current assets		60,927	64,073
CURRENT ASSETS			
Inventories		3,905	2,540
Trade receivables	20	969	1,359
Prepayments, deposits and other receivables	21	16,544	16,160
Tax recoverable		516	–
Cash and cash equivalents	22	336,720	125,579
Total current assets		358,654	145,638
CURRENT LIABILITIES			
Trade payables	23	5,641	5,964
Other payables and accruals	24	20,622	14,634
Provision for long service payments	25	1,060	1,333
Derivative financial instruments	27	903,377	603,306
Tax payable		–	1,922
Total current liabilities		930,700	627,159
NET CURRENT LIABILITIES		(572,046)	(481,521)
TOTAL ASSETS LESS CURRENT LIABILITIES		(511,119)	(417,448)
NON-CURRENT LIABILITIES			
Convertible bonds	26	178,924	69,201
Deferred tax liabilities, net	28	65	175
Total non-current liabilities		178,989	69,376
Net liabilities		(690,108)	(486,824)
DEFICIENCY IN ASSETS			
Equity attributable to owners of the parent			
Issued capital	29	56,732	36,332
Reserves	30(a)	(749,479)	(526,192)
		(692,747)	(489,860)
Non-controlling interest		2,639	3,036
Total deficiency in assets		(690,108)	(486,824)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2011

		Attributable to owners of the parent							
	Notes	Issued capital HK$'000	Share premium account HK$'000	Buildings revaluation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity/ (deficiency in assets) HK$'000
At 1 April 2009		36,032	37,934*	417*	7,933*	5,405	87,721	1,524	89,245
Loss for the year		–	–	–	(574,902)	–	(574,902)	1,512	(573,390)
Other comprehensive income for the year:									
Surplus arising from revaluation of buildings		–	–	8	–	–	8	–	8
Total comprehensive loss for the year		–	–	8	(574,902)	–	(574,894)	1,512	(573,382)
Exercise of warrants	29	300	6,036	–	–	–	6,336	–	6,336
Final 2009 dividend declared		–	–	–	–	(5,405)	(5,405)	–	(5,405)
Interim 2010 dividend	12	–	–	–	(3,618)	–	(3,618)	–	(3,618)
At 31 March 2010 and 1 April 2010		36,332	43,970*	425*	(570,587)*	–	(489,860)	3,036	(486,824)
Loss for the year		–	–	–	(890,647)	–	(890,647)	1,563	(889,084)
Other comprehensive income for the year:									
Surplus arising from revaluation of buildings		–	–	38	–	–	38	–	38
Total comprehensive loss for the year		–	–	38	(890,647)	–	(890,609)	1,563	(889,046)
Exercise of warrants	29	400	10,345	–	–	–	10,745	–	10,745
Conversion of convertible bonds	29	20,000	656,977	–	–	–	676,977	–	676,977
Dividends paid to a non-controlling shareholder		–	–	–	–	–	–	(1,960)	(1,960)
At 31 March 2011		56,732	711,292*	463*	(1,461,234)*	–	(692,747)	2,639	(690,108)

* These reserve accounts comprise the consolidated negative reserves of HK$749,479,000 (2010: HK$526,192,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(887,463)	(569,931)
Adjustments for:			
Fair value losses on derivative financial instruments		890,863	591,849
Finance costs	*6*	3,053	3,143
Interest income	*5*	(573)	(43)
Depreciation	*14*	6,630	7,147
Recognition of prepaid land lease payments	*7*	101	101
Fair value gains on investment properties	*7*	(500)	(6,000)
Written off of items of property, plant and equipment	*7*	41	–
Surplus arising from revaluation of buildings	*5*	(32)	(32)
Gain on disposal of a property held for development	*5*	–	(8,335)
		12,120	17,899
(Increase)/decrease in inventories		(1,365)	698
Decrease/(increase) in trade receivables		390	(633)
(Increase)/decrease in prepayments, deposits and other receivables		(384)	655
Increase in prepayment for acquisition of property, plant and equipment		(1,253)	–
(Decrease)/increase in trade payables		(323)	1,112
Increase/(decrease) in other payables and accruals		5,988	(3,124)
Decrease in provision for long service payments		(273)	(1,039)
Cash generated from operations		14,900	15,568
Hong Kong profits tax paid		(4,498)	(1,240)
Net cash flows generated from operating activities		10,402	14,328
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	*14*	(974)	(7,509)
Purchase of available-for-sale investments	*19*	(500)	–
Proceeds from disposal of property held for development		–	13,000
Interest received		573	43
Increase in short term deposits with original maturity of more than three months		(21,481)	(39,002)
Net cash flows used in investing activities		(22,382)	(33,468)

	Notes	2011 HK$'000	2010 HK$'000
Net cash flows used in investing activities		(22,382)	(33,468)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds	26	200,000	80,000
Proceeds from issue of warrants	27	–	1,440
Proceeds from exercise of warrants		3,600	2,700
Repayment of bank loans		–	(10,231)
Dividends paid		–	(9,023)
Dividend paid to a non-controlling shareholder		(1,960)	–
Interest paid		–	(289)
Net cash flows generated from financing activities		201,640	64,597
NET INCREASE IN CASH AND CASH EQUIVALENTS		189,660	45,457
Cash and cash equivalents at beginning of year		86,577	41,120
CASH AND CASH EQUIVALENTS AT END OF YEAR		276,237	86,577
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	251,237	40,567
Time deposits		85,483	85,012
Cash and cash equivalents as stated in the consolidated statement of financial position		336,720	125,579
Time deposits with original maturity of more than three months		(60,483)	(39,002)
Cash and cash equivalents as stated in the consolidated statement of cash flows		276,237	86,577

STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	**2011** *HK$'000*	**2010** *HK$'000*
NON-CURRENT ASSET			
Investments in subsidiaries	*18*	421,002	218,477
CURRENT ASSET			
Cash and bank balances	*22*	60	60
CURRENT LIABILITIES			
Other payables and accruals	*24*	12	11
Derivative financial instruments	*27*	903,377	603,306
Total current liabilities		903,389	603,317
NET CURRENT LIABILITIES		(903,329)	(603,257)
TOTAL ASSETS LESS CURRENT LIABILITIES		(482,327)	(384,780)
NON-CURRENT LIABILITIES			
Convertible bonds	*26*	178,924	69,201
Due to subsidiaries	*18*	29,334	32,891
Total non-current liabilities		208,258	102,092
Net liabilities		(690,585)	(486,872)
DEFICIENCY OF ASSETS			
Issued capital	*29*	56,732	36,332
Reserves	*30(b)*	(747,317)	(523,204)
Deficiency of assets		(690,585)	(486,872)

NOTES TO FINANCIAL STATEMENTS

31 March 2011

1. CORPORATE INFORMATION

Tack Hsin Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Unit 1203, 12/F, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was engaged in the following principal activities:

- restaurant operations
- property investments
- hotel operations

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the going concern concept notwithstanding the loss for the year ended 31 March 2011 of HK$889,084,000 and the net liabilities of the Group and the Company as at 31 March 2011 of HK$690,108,000 and HK$690,585,000, respectively.

The Group recorded significant loss for the current year and net liabilities as at 31 March 2011 due to the recognition of the following derivative financial instruments:

- as disclosed in note 27 to the financial statements, the Company recorded a financial liability of HK$279,095,000 as at 31 March 2011 and a loss on fair value change of HK$196,622,000 for the year then ended in respect of the outstanding warrants.

- as disclosed in notes 26 and 27 to the financial statements, the Company recorded a loss on fair value change of HK$378,742,000 for the year ended 31 March 2011 in respect of the embedded derivative financial instrument of the HK$80,000,000 convertible bonds which was converted into the ordinary shares of the Company during the year.

- as disclosed in note 27 to the financial statements, the Company recorded a loss on fair value change of HK$321,816,000 for the year ended 31 March 2011 in respect of the forward contract for the issuance of convertible bonds which was settled when the HK$200,000,000 convertible bonds were issued during the year.

- as disclosed in notes 26 and 27 to the financial statements, the Company recorded a financial liability of HK$624,282,000 as at 31 March 2011 and a gain on fair value change of HK$6,317,000 for the year then ended in respect of the embedded derivative financial instrument of the HK$200,000,000 convertible bonds issued during the year.

As a result of the above transactions, the Group recognised in aggregate, derivative financial instruments liabilities of HK$903,377,000 as at 31 March 2011 and fair values losses of HK$890,863,000 for the year then ended.

Despite the significant impact of the derivative financial instruments on the income statement and statement of financial position of the Group, the directors of the Company considered that these derivative financial instruments are non-cash in nature and would not affect the going concern of the Group. In case that the above mentioned outstanding derivative financial instruments are exercised and converted into the Company's ordinary shares, the related financial liabilities will be transferred as part of the share premium in respect of the issuance of the Company's own shares. In case that the above mentioned outstanding derivative financial instruments are not exercised and converted by the holders, the financial liabilities will be reversed in the subsequent income statements upon expiration or redemption. As a result, the Company will in no event be obliged to settle any such financial liabilities by incurring cash payout or otherwise by using any of its assets. Therefore, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and accordingly, the consolidated financial statements have been prepared on a going concern basis.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, buildings and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 April 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate.

Basis of consolidation prior to 1 April 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7, and HKAS 17 included in *Improvements to HKFRSs 2009*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  The Group has reassessed its leases in Hong Kong, previously classified as operating leases, upon the adoption of the amendments and concluded that the classification of these leases remained unchanged.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[3]
HKFRS 9	*Financial Instruments*[5]
HKFRS 12 Amendments	Amendments to HKFRS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[4]
HKAS 24 (Revised)	*Related Party Disclosures*[2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[1]

1 Effective for annual periods beginning on or after 1 July 2010

2 Effective for annual periods beginning on or after 1 January 2011

3 Effective for annual periods beginning on or after 1 July 2011

4 Effective for annual periods beginning on or after 1 January 2012

5 Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

Further information about those changes that are expected to significantly affect the Group is as follows:

(a) HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in the income statement, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in the income statement. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

(b) HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 April 2011. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

(c) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 April 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

- HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Furniture and fixtures	15-20%
Air-conditioning plant	15-20%
Electrical appliances	20%
Office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Kitchen utensils, linen and uniforms

No depreciation is provided on the initial purchase of kitchen utensils, linen and uniforms which are capitalised at cost. The cost of subsequent replacement of these items is charged directly to the income statement in the year in which such expenditure is incurred.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included 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.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances and trade and other receivables.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in finance costs in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

If there is objective evidence that an impairment loss has been incurred on an unlisted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Warrant liabilities

Warrant liabilities are initially recognised at fair value on the date of grant and are subsequently remeasured at fair value, changes in fair value of warrant liabilities are recognised in the consolidated income statement.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

Forward contracts

Forward contracts are derivative financial instruments and are initially recognised at fair value on which the forward contract is entered into. Forward contracts are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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; a discounted cash flow analysis; and other valuation models.

Inventories

Inventories comprise mainly food and beverages and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) receipts from restaurant operations, upon the delivery of food and beverages to customers;

(b) from the rendering of hotel services, when services have been rendered;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of contributed surplus or retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value of investment properties and buildings

Investment properties and buildings are carried in the statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and buildings, the corresponding adjustments to the gain or loss recognised in the income statement and fixed asset revaluation reserve. During the year, surplus arising from revaluation of buildings of approximately HK$32,000 (2010: HK$32,000) and HK$38,000 (2010: HK$8,000) were recognised in the income statement and fixed asset revaluation reserve, respectively. Fair value gains on investment properties for the year ended 31 March 2011 were approximately HK$500,000 (2010: HK$6,000,000). Further details are contained in notes 14 and 15 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2011 was approximately HK$2,740,000 (2010: HK$2,290,000). The amount of unrecognised tax losses at 31 March 2011 was approximately HK$59,842,000 (2010: HK$63,592,000). Further details are contained in note 28 to the financial statements.

Estimation of fair value of derivative financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the restaurant segment comprises the Group's restaurant operations;

(b) the property segment comprises the Group's property investments;

(c) the hotel segment comprises the Group's hotel operations; and

(d) the corporate segment comprises the Group's corporate income and expense items.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, dividend income, fair value losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate assets as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

All of the Group's revenue from external customers is derived from the Group's operations in Hong Kong, and no non-current assets of the Group are located outside Hong Kong.

During the year ended 31 March 2011 and 2010, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended 31 March 2011	**Restaurant**	**Property**	**Hotel**	**Corporate**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	275,202	853	19,780	–	295,835
Intersegment sales	–	18,344	–	11,237	29,581
Other income and gains	1,232	532	195	237	2,196
Intersegment other income and gains	–	–	–	1,137	1,137
	276,434	19,729	19,975	12,611	328,749
Reconciliation:					
Elimination of intersegment sales					(29,581)
Elimination of intersegment other income and gains					(1,137)
Total					298,031

Year ended 31 March 2011	**Restaurant**	**Property**	**Hotel**	**Corporate**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment results	10,198	499	3,079	(7,896)	5,880
Reconciliation:					
Interest income and unallocated gains					573
Imputed interest on convertible bonds					(3,053)
Fair value losses on derivative financial instruments					(890,863)
Loss before tax					(887,463)
Segment assets	44,811	45,944	9,355	317,335	417,445
Reconciliation:					
Corporate and other unallocated assets					2,136
Total assets					419,581
Segment liabilities	17,543	1,272	5,646	2,862	27,323
Reconciliation:					
Unallocated liabilities					1,082,366
Total liabilities					1,109,689
Other segment information:					
Depreciation	4,306	68	1,847	409	6,630
Fair value gains on investment properties	–	(500)	–	–	(500)
Surplus arising from revaluation of buildings recognised directly in the income statement	–	(32)	–	–	(32)
Capital expenditure	438	–	13	523	974*

* Capital expenditure represents additions to property, plant and equipment.

Year ended 31 March 2010	**Restaurant**	**Property**	**Hotel**	**Corporate**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	274,294	799	12,733	–	287,826
Intersegment sales	–	17,670	–	11,395	29,065
Other income and gains	875	14,378	240	–	15,493
Intersegment other income and gains	–	–	–	812	812
	275,169	32,847	12,973	12,207	333,196
Reconciliation:					
Elimination of intersegment sales					(29,065)
Elimination of intersegment other income and gains					(812)
Total					303,319
Segment results	14,094	13,357	(2,398)	(35)	25,018
Reconciliation:					
Interest income and unallocated gains					43
Interest on bank loans and overdrafts					(289)
Imputed interest on convertible bonds					(2,854)
Fair value losses on derivative financial instruments					(591,849)
Loss before tax					(569,931)
Segment assets	42,043	45,768	11,495	109,114	208,420
Reconciliation:					
Corporate and other unallocated assets					1,291
Total assets					209,711
Segment liabilities	13,767	1,742	4,458	1,964	21,931
Reconciliation:					
Unallocated liabilities					674,604
Total liabilities					696,535

Year ended 31 March 2010	Restaurant	Property	Hotel	Corporate	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information:					
Depreciation	4,602	68	2,167	310	7,147
Fair value gains on investment properties	–	(6,000)	–	–	(6,000)
Surplus arising from revaluation of buildings recognised directly in the income statement	–	(32)	–	–	(32)
Capital expenditure	2,932	–	3,252	1,325	7,509*

* Capital expenditure represents additions to property, plant and equipment.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the rental income received and receivable from investment properties and hotel operations during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Revenue		
Receipts from restaurant operations	275,202	274,294
Hotel operations	19,780	12,733
Gross rental income *(note 7)*	853	799
	295,835	287,826
Other income		
Bank interest income	573	43
Others	1,664	1,126
	2,237	1,169
Gains		
Fair value gains on investment properties *(note 15)*	500	6,000
Surplus arising from revaluation of buildings	32	32
Gain on disposal of a property held for development	–	8,335
	532	14,367
	2,769	15,536

6. FINANCE COSTS

	Group 2011	2010
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	–	289
Imputed interest on convertible bonds	3,053	2,854
	3,053	3,143

7. LOSS BEFORE TAX

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

		Group 2011	2010
	Notes	*HK$'000*	*HK$'000*
Minimum lease payments under operating leases:			
Land and buildings		38,082	36,912
Office equipment		167	171
		38,249	37,083
Recognition of prepaid land lease payments	*16*	101	101
Fair value gains on investment properties	*15*	(500)	(6,000)
Written off of items of property, plant and equipment	*14*	41	–
Auditors' remuneration		950	860
Staff costs (including directors' remuneration *(note 8)*):			
Wages, salaries and bonuses		79,712	79,030
Write back of provision for long service payments, net	*25*	(239)	(858)
Pension scheme contributions		3,626	3,638
Total staff costs		83,099	81,810
Gross rental income	*5*	(853)	(799)
Less: Outgoings		98	172
Net rental income		(755)	(627)

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group			
	Executive directors		Independent non-executive directors	
	2011	2010	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	450	300
Other emoluments:				
Salaries, allowances and benefits in kind	2,704	2,101	–	–
Pension scheme contributions	46	39	–	–
	2,750	2,140	450	300

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Kung Fan Cheong	150	100
Chan Ka Ling, Edmond	150	100
Lo Kin Cheung	150	100
	450	300

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

(b) Executive directors

	Group			
	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2011				
Chan Shu Kit	–	1,008	12	1,020
Kung Wing Yiu (resigned on 30 November 2010)	–	120	6	126
Chan Ho Man	–	696	12	708
Jian Qing	–	560	12	572
Chung Chi Shing (appointed on 1 December 2010)	–	320	4	324
	–	2,704	46	2,750
2010				
Chan Shu Kit	–	1,008	12	1,020
Kung Wing Yiu	–	180	9	189
Chan Ho Man	–	696	12	708
Jian Qing (appointed on 19 October 2009)	–	217	6	223
	–	2,101	39	2,140

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2010: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: two) non-director, highest paid employees for the year are as follows:

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	695	696
Pension scheme contributions	24	24
	719	720

The remuneration of the two (2010: two) non-director, highest paid employees fell within the band of nil to HK$1,000,000.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	1,832	2,989
Underprovision in prior year	228	–
Deferred *(note 28)*	(439)	470
Total tax charge for the year	1,621	3,459

A reconciliation of the tax charge/(credit) applicable to loss before tax at the statutory rate, and a reconciliation of the applicable rate (i.e., the statutory tax rates) to the effective tax rate, are as follows:

	Group			
	2011		**2010**	
	HK$'000	*%*	*HK$'000*	*%*
Loss before tax	(887,463)		(569,931)	
Tax at the statutory tax rate	(146,431)	(16.5)	(94,039)	(16.5)
Income not subject to tax	(424)	(0.0)	(158)	(0.0)
Expenses not deductible for tax	149,300	16.8	98,367	17.3
Tax losses utilised from previous periods	(1,001)	(0.1)	(1,713)	(0.3)
Tax losses not recognised	382	0.0	803	0.1
Temporary differences not recognised	(433)	(0.0)	199	0.0
Underprovision of tax charges in prior year	228	0.0	–	–
Tax charge at the Group's effective rate	1,621	0.2	3,459	0.6

11. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 March 2011 includes a loss of HK$891,435,000 (2010: HK$573,435,000) which has been dealt with in the financial statements of the Company (note 30(b)).

12. DIVIDEND

The board of directors resolved not to declare any dividend (2010: interim dividend of HK1 cent per ordinary share in issue) in 2011.

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

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of approximately HK$890,647,000 (2010: HK$574,902,000), and the weighted average number of ordinary shares of 379,410,661 (2010: 361,075,045) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2011 and 2010 in respect of a dilution as the impact of warrants and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Furniture and fixtures HK$'000	Air-conditioning plant HK$'000	Electrical appliances HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Kitchen utensils, linen and uniforms HK$'000	Total HK$'000
31 March 2011								
At 31 March 2010 and 1 April 2010:								
Cost or valuation	3,528	36,659	5,844	9,100	463	130	2,522	58,246
Accumulated depreciation	–	(21,699)	(3,279)	(6,196)	(334)	(130)	–	(31,638)
Net carrying amount	3,528	14,960	2,565	2,904	129	–	2,522	26,608
At 1 April 2010, net of accumulated depreciation	3,528	14,960	2,565	2,904	129	–	2,522	26,608
Additions	–	293	18	144	69	450	–	974
Surplus on revaluation	70	–	–	–	–	–	–	70
Depreciation provided during the year	(70)	(4,343)	(792)	(1,269)	(66)	(90)	–	(6,630)
Written off	–	–	–	–	–	–	(41)	(41)
At 31 March 2011, net of accumulated depreciation	3,528	10,910	1,791	1,779	132	360	2,481	20,981
At 31 March 2011:								
Cost or valuation	3,528	36,952	5,862	9,244	532	580	2,481	59,179
Accumulated depreciation	–	(26,042)	(4,071)	(7,465)	(400)	(220)	–	(38,198)
Net carrying amount	3,528	10,910	1,791	1,779	132	360	2,481	20,981
Analysis of cost or valuation:								
At cost	–	36,952	5,862	9,244	532	580	2,481	55,651
At 31 March 2011 valuation	3,528	–	–	–	–	–	–	3,528
	3,528	36,952	5,862	9,244	532	580	2,481	59,179

	Buildings *HK$'000*	Furniture and fixtures *HK$'000*	Air-conditioning plant *HK$'000*	Electrical appliances *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Kitchen utensils, linen and uniforms *HK$'000*	Total *HK$'000*
31 March 2010								
At 31 March 2009 and 1 April 2009:								
Cost or valuation	3,558	30,799	5,323	8,080	372	130	2,505	50,767
Accumulated depreciation	–	(17,108)	(2,270)	(4,777)	(276)	(130)	–	(24,561)
Net carrying amount	3,558	13,691	3,053	3,303	96	–	2,505	26,206
At 1 April 2009, net of accumulated depreciation	3,558	13,691	3,053	3,303	96	–	2,505	26,206
Additions	–	5,860	521	1,020	91	–	17	7,509
Surplus on revaluation	40	–	–	–	–	–	–	40
Depreciation provided during the year	(70)	(4,591)	(1,009)	(1,419)	(58)	–	–	(7,147)
At 31 March 2010, net of accumulated depreciation	3,528	14,960	2,565	2,904	129	–	2,522	26,608
At 31 March 2010:								
Cost or valuation	3,528	36,659	5,844	9,100	463	130	2,522	58,246
Accumulated depreciation	–	(21,699)	(3,279)	(6,196)	(334)	(130)	–	(31,638)
Net carrying amount	3,528	14,960	2,565	2,904	129	–	2,522	26,608
Analysis of cost or valuation:								
At cost	–	36,659	5,844	9,100	463	130	2,522	54,718
At 31 March 2010 valuation	3,528	–	–	–	–	–	–	3,528
	3,528	36,659	5,844	9,100	463	130	2,522	58,246

The Group's buildings were revalued at 31 March 2011, by CS Surveyors Limited, independent professionally qualified valuers, on an open market, existing use basis.

Had these buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$2,763,000 at 31 March 2011 (2010: HK$2,845,000).

During the year, surplus arising from revaluation of buildings of approximately HK$32,000 (2010: HK$32,000) and HK$38,000 (2010: HK$8,000) were recognised in the income statement and fixed asset revaluation reserve, respectively.

15. INVESTMENT PROPERTIES

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Carrying amount at 1 April	29,000	23,000
Fair value gain on revaluation	500	6,000
Carrying amount at 31 March	29,500	29,000

The Group's investment properties were revalued at 31 March 2011, by CS Surveyors Limited, independent professionally qualified valuers, on an open market, existing use basis.

The investment properties are situated in Hong Kong and are held under medium term leases. They are leased to third parties under operating leases, further summary details of which are included in note 32(a) to the financial statements. Details of the investment property are as follows:

Location	**Use**
Lot No. 237 in Demarcation District No. 331, Cheung Sha, Lantau Island, New Territories	Investment property for rental income

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Carrying amount at 1 April	7,275	7,376
Recognised during the year *(note 7)*	(101)	(101)
Carrying amount at 31 March	7,174	7,275
Current portion included in prepayments, deposits and other receivables	(101)	(101)
Non-current portion	7,073	7,174

The prepaid land lease payments are situated in Hong Kong and are held under the following lease terms:

	HK$'000
Long term leases	5,084
Medium term leases	2,090
	7,174

17. PROPERTY HELD FOR DEVELOPMENT

	Group 2011 HK$'000	Group 2010 HK$'000
Carrying amount at 1 April (at cost)	–	4,665
Disposal	–	(4,665)
Carrying amount at 31 March (at cost)	–	–

Property held for development represents a development project which is situated in Hong Kong and is held under a medium term lease. Details of the property held for development are as follows:

Location	Use
Lot Nos. 2902-2906 & 2908 in Demarcation District No. 1, Tung Chung, Lantau Island, New Territories	Residential

18. INVESTMENTS IN SUBSIDIARIES

	Notes	Company 2011 *HK$'000*	Company 2010 *HK$'000*
Unlisted shares, at cost		238,075	238,075
Impairment	*(b)*	(173,146)	(177,146)
		64,929	60,929
Loan to a subsidiary	*(a)*	356,073	157,548
		421,002	218,477
Due to subsidiaries	*(a)*	29,334	32,891

Notes:

(a) The balances with the subsidiaries are unsecured, interest-free and are expected to be repayable after one year.

(b) Impairment loss was recognised for certain unlisted investments because the relevant subsidiaries had suffered losses for years or ceased operations.

(c) Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations[@]	Nominal value of issued capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
First Charm Development Limited	Hong Kong	HK$100*	–	100	Property investment
Golden Target (Hong Kong) Limited	Hong Kong	HK$1*	–	100	Hotel operations
Grandward Limited	Hong Kong	HK$100* HK$2#	–	100	Property holding
Jade Terrace Restaurant (Causeway Bay) Limited	Hong Kong	HK$100* HK$680,000#	–	100	Restaurant operations
Newfame Development Limited	Hong Kong	HK$1*	–	100	Property development
Tack Hsin (BVI) Holdings Limited	British Virgin Islands/ Hong Kong	HK$17,763,202*	100	–	Investment holding
Tack Hsin Restaurant (London) Limited	Hong Kong	HK$100* HK$2#	–	100	Restaurant operations
Tack Hsin Restaurant (Peninsula) Limited	Hong Kong	HK$100* HK$2,380,000#	–	100	Restaurant operations
Top Excel Investment Limited	Hong Kong	HK$10,000*	–	51	Restaurant operations
Vastpro Developments Limited	Hong Kong	HK$2*	–	100	Property holding
Hurray Enterprises Limited	British Virgin Islands	US$1*	100	–	Investment holding

@ Unless otherwise stated, the place of operations is the place of incorporation.
* Ordinary shares
\# Non-voting deferred shares

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. AVAILABLE-FOR-SALE INVESTMENT

	Group 2011	2010
	HK$'000	*HK$'000*
Unlisted equity investment, at cost	500	–

As at 31 March 2011, the unlisted equity investment with a carrying amount of HK$500,000 (2010: nil) was stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

20. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly by cash and credit card settlement, except for certain well-established customers where the terms vary with these 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 aforementioned and 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.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Within three months	969	1,359

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Neither past due nor impaired	969	1,359

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Prepayments	605	454
Deposits	15,910	15,705
Other receivables	29	1
	16,544	16,160

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	251,237	40,567	60	60
Time deposits	85,483	85,012	–	–
	336,720	125,579	60	60

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Within three months	5,641	5,964

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

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred credit on operating lease	7,781	7,924	–	–
Receipts in advance	1,199	926	–	–
Other payables	153	147	12	11
Accruals	11,489	5,637	–	–
	20,622	14,634	12	11

Other payables are non-interest-bearing and have an average term of 30 days.

25. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
At 1 April	1,333	2,372
Decrease for the year *(note 7)*	(239)	(858)
Amounts utilised during the year	(34)	(181)
At 31 March	1,060	1,333

The Group provides for probable future long service payments expected to be made to employees under the Employment Ordinance. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group at the end of the reporting period.

26. CONVERTIBLE BONDS

The convertible bonds issued have been split as to the embedded derivative and the liability components. The following tables summarise the movements in the liability and derivative components of the Group's and the Company's convertible bonds during the year:

Group and Company

	Convertible Bonds 1 *HK$'000* *(note (a))*	**Convertible Bonds 2** *HK$'000* *(note (a), (b))*	**Total** *HK$'000*
Liability component			
At 1 April 2009	–	–	–
Nominal value of the convertible bonds issued during the year	66,347	–	66,347
Imputed interest expense *(note 6)*	2,854	–	2,854
At 31 March 2010 and 1 April 2010	69,201	–	69,201
Nominal value of the convertible bonds issued during the year	–	178,653	178,653
Imputed interest expense *(note 6)*	2,782	271	3,053
Conversion of convertible bonds	(71,983)	–	(71,983)
At 31 March 2011	–	178,924	178,924
Derivative component			
At 1 April 2009	–	–	–
Nominal value of the convertible bonds issued during the year	13,653	–	13,653
Fair value loss on derivative financial instruments	212,599	–	212,599
At March 2010 and 1 April 2010	226,252	–	226,252
Nominal value of the convertible bonds issued during the year	–	630,599	630,599
Fair value loss/(gain) on derivative financial instruments	378,742	(6,317)	372,425
Conversion of convertible bonds	(604,994)	–	(604,994)
At 31 March 2011	–	624,282	624,282

Notes:

(a) On 16 November 2009, the Company issued zero coupon convertible bonds in the principal amount of HK$80,000,000 ("Convertible Bonds 1") for cash to an independent third party. The Convertible Bonds 1 are convertible at the option of the bond holder into the Company's ordinary shares of HK$0.10 each at a conversion price of HK$0.40 per share from the end of the three-month period from the issue date up to (but excluding) the period of five business days ending on the maturity date. Any Convertible Bonds 1 not converted will be redeemed by the Company on 16 November 2012. During the year, Convertible Bonds 1 were fully converted.

(b) On 17 March 2011, the Company settled the forward contract, as further described in note 27(b) of the financial statements, and issued zero coupon convertible bonds in the principal amount of HK$200,000,000 ("Convertible Bonds 2") for cash to an independent third party. The Convertible Bonds 2 are convertible at the option of the bond holder into the Company's ordinary shares of HK$0.10 each at a conversion price of HK$0.50 per share from the end of the three-month period from the issue date up to (but excluding) the period of five business days ending on the maturity date. Any Convertible Bonds 2 not converted will be redeemed by the Company on 17 March 2014.

The conversion option of Convertible Bonds 1 and 2 exhibits characteristics of an embedded derivative and is separated from the liability components. On initial recognition, the fair value of the liability component of these convertible bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option or other embedded derivative. The embedded derivative component is measured at fair value and presented as a derivative financial instrument. At each reporting date, the embedded derivative component is remeasured and the change in fair value of that component is recognised in the consolidated income statement.

27. DERIVATIVE FINANCIAL INSTRUMENTS

		Group and Company	
		2011	**2010**
	Notes	*HK$'000*	*HK$'000*
Warrants	*(a)*	279,095	89,618
Embedded derivatives of convertible bonds	*26*	624,282	226,252
Forward contract	*(b)*	–	287,436
		903,377	603,306

Notes:

(a) On 19 October 2009, the Company issued 72,000,000 warrants at HK$0.02 each to certain independent third parties. Each warrant carries the right to subscribe for one ordinary share of HK$0.90 each for the period of three years commencing from 19 October 2009. The subscription price was adjusted to HK$0.62 each from 17 March 2011. Any warrant rights not exercised will be expired on 18 October 2012.

Movements of warrants during the year are as follows:

	Group and Company	
	2011	**2010**
	HK$'000	*HK$'000*
At 1 April	89,618	–
Issue of warrants	–	1,440
Fair value losses on warrants	196,622	91,814
Exercise of warrants	(7,145)	(3,636)
At 31 March	279,095	89,618

(b) On 20 January 2010, the Company entered into a convertible bond subscription agreement (the "Subscription Agreement") with an independent subscriber (the "Subscriber") pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for Convertible Bonds 2, which can be convertible at the option of the bond holder into the Company's ordinary shares of HK$0.10 at a conversion price of HK$0.50 each from the end of the three-month period from the issue date up to (but excluding) the period of five business days ending on the maturity date. Any portion of Convertible Bonds 2 not converted will be redeemed by the Company on the date falling on the third anniversary of the issue date of the bonds.

At as 31 March 2010, the Company had fulfilled the precedent requirements pursuant to the Subscription Agreement and was contractually obligated to issue the Convertible Bonds 2. In this regard, before the issuance of Convertible Bonds 2, the Subscription Agreement is a forward contract within the scope of HKAS 39 and was recognised at its fair value as an asset or a liability on the commitment date and is subsequently remeasured at fair value. The Group and the Company had recognised a derivative financial liability of HK$287,436,000 in respect of the forward contract in 2010.

On 17 March 2011, the Company settled the forward contract and issued Convertible Bonds 2, further details of which are set out in note 26 to the financial statements.

Movements of the forward contract during the year are as follows:

	Group and Company *HK$'000*
At 1 April 2010	287,436
Fair value losses on forward contract	321,816
Settlement of forward contract	(609,252)
At 31 March 2011	–

28. DEFERRED TAX

Group

Deferred tax assets

	Losses available for offsetting against future taxable profits *HK$'000*
At 1 April 2009	2,386
Deferred tax charged to the income statement during the year *(note 10)*	(96)
Gross deferred tax assets at 31 March 2010	2,290
Deferred tax credited to the income statement during the year *(note 10)*	450
Gross deferred tax assets at 31 March 2011	2,740

Group

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation *HK$'000*
At 1 April 2009	800
Deferred tax charged to the income statement during the year *(note 10)*	374
Gross deferred tax liabilities at 31 March 2010	1,174
Deferred tax charged to the income statement during the year *(note 10)*	11
Gross deferred tax liabilities at 31 March 2011	1,185

For presentation purposes, certain deferred tax assets and liabilities have been offset in the financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2011	**2010**
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	1,620	1,291
Net deferred tax liabilities recognised in the consolidated statement of financial position	65	175

At the end of the reporting period, the Group had tax losses arising in Hong Kong of approximately HK$59,842,000 (2010: HK$63,592,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL

	Group and Company	
	2011	**2010**
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	500,000	500,000
Issued and fully paid:		
567,321,620 (2010: 363,321,620) ordinary shares of HK$0.10 each	56,732	36,332

During the year, the movements in share capital were as follows:

(a) 1,000,000, 1,000,000, 500,000 and 1,500,000 (2010: in total 3,000,000) shares of HK$0.10 each were issued for cash on 7 October 2010, 26 October 2010, 6 December 2010 and 21 December 2010 at the subscription price of HK$0.9 per share, pursuant to the exercise of the Company's warrants for a cash consideration, before expenses, of HK$3,600,000.

On 17 March 2011, the Company adjusted the subscription price of the warrant to HK$0.62 per share, resulting in the increase in 29,354,839 warrants.

At the end of the reporting period, the Company had 94,354,839 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in issue of 94,354,839 additional ordinary shares of HK$0.10 each.

(b) In February and March 2011, Convertible Bonds 1 were fully converted into ordinary shares of the Company at the conversion price of HK$0.40 per share, resulting in the issuance of 200,000,000 ordinary shares of the Company.

A summary of the transactions during the year in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Issued capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 April 2009		360,321,620	36,032	37,934	73,966
Exercise of warrants	*(a)*	3,000,000	300	6,036	6,336
At 31 March 2010 and 1 April 2010		363,321,620	36,332	43,970	80,302
Exercise of warrants	*(a)*	4,000,000	400	10,345	10,745
Conversion of convertible bonds	*(b)*	200,000,000	20,000	656,977	676,977
At 31 March 2011		567,321,620	56,732	711,292	768,024

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 134 of this Composite Document.

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

(b) Company

	Note	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2009		37,934	207,248	(197,369)	47,813
Total comprehensive loss for the year		–	–	(573,435)	(573,435)
Interim dividend	*12*	–	(3,618)	–	(3,618)
Exercise of warrants		6,036	–	–	6,036
At 31 March 2010 and 1 April 2010		43,970	203,630	(770,804)	(523,204)
Total comprehensive loss for the year		–	–	(891,435)	(891,435)
Exercise of warrants		10,345	–	–	10,345
Conversion of convertible bonds		656,977	–	–	656,977
At 31 March 2011		711,292	203,630	(1,662,239)	(747,317)

The Company's contributed surplus represented the excess of the fair value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus if to do so would not render the Company's ability to pay its liabilities as they become due or the realisable value of its assets would not thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

31. CONTINGENT LIABILITIES

At the end of the reporting period, the Company had no contingent liabilities not provided for in these financial statements.

As at 31 March 2010, the Company provided a guarantee to a third party in connection with rental payments of a subsidiary amounting to HK$7,008,000.

As at 31 March 2011 and 2010, the Group had no significant contingent liabilities.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15 to the financial statements) and certain kitchen utensils under operating lease arrangements, with original lease terms of one to three years. The terms of the leases generally require the tenants to pay security deposits.

At 31 March 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Within one year	1,849	842
In the second to fifth years, inclusive	430	–
	2,279	842

(b) As lessee

The Group leases certain of its office premises, restaurant premises and office equipment under operating lease arrangements, with remaining lease terms ranging from one month to nine years.

At 31 March 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Within one year	26,321	35,221
In the second to fifth years, inclusive	64,899	67,889
After five years	15,893	25,730
	107,113	128,840

33. COMMITMENT

In addition to the operating lease commitments detailed in note 32 above, the Group and the Company had the following commitment as at the end of the reporting period:

	Group and Company	
	2011	**2010**
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Acquisition of an investment	200,000	7,314

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transaction with a related party during the year:

	Group	
	2011	**2010**
	HK$'000	*HK$'000*
Transaction with a director:		
Rental expenses paid	72	72

The Group paid rental expenses to a director of the Company. The rentals were determined with reference to open market rentals.

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

	2011	**2010**
	HK$'000	*HK$'000*
Short term employee benefits	3,054	2,450
Post-employment benefits	58	51
Total compensation paid to key management personnel	3,112	2,501

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Group		Company	
	2011	2010	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets – Loans and receivables				
Loan to a subsidiary	–	–	356,073	157,548
Trade receivables	969	1,359	–	–
Financial assets included in prepayments, deposits and other receivables	15,939	15,706	–	–
Cash and bank balances	336,720	125,579	60	60
	353,628	142,644	356,133	157,608
Financial assets – Available-for-sale financial assets				
Available-for-sale investments	500	–	–	–
Financial liabilities – Financial liabilities at amortised cost				
Due to subsidiaries	–	–	29,334	32,891
Trade payables	5,641	5,964	–	–
Financial liabilities included in other payables and accruals	7,934	8,071	12	11
Convertible bonds	178,924	69,201	178,924	69,201
	192,499	83,236	208,270	102,103
Financial liabilities – Financial liabilities at fair value through profit or loss				
Derivative financial instruments	903,377	603,306	903,377	603,306

36. FAIR VALUE HIERARCHY

The carrying amounts of the Group's and the Company's financial instruments are approximate to their fair values.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 March 2011, the derivative financial instruments amounting to HK$903,377,000 (2010: HK$603,306,000) are measured at fair value in Level 3.

The movements in fair value measurements in Level 3 during the year are as follows:

	Derivative financial instruments 2011	2010
	HK$'000	*HK$'000*
At 1 April	603,306	–
Issuance of warrants	–	1,440
Issuance of convertible bonds	630,599	13,653
Fair value losses recognised in the income statement	890,863	591,849
Conversion of convertible bonds	(604,994)	–
Settlement of forward contract	(609,252)	–
Exercise of warrants	(7,145)	(3,636)
At 31 March 2011	903,377	603,306

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, mainly comprise cash, short term deposits and convertible bonds. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Most of the trade of the Group is on cash terms. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

The Group places its cash deposits with major international banks in Hong Kong. This investment policy limits the Group's exposure to concentrations of credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the financial liabilities of the Group and the Company as at the end of the reporting periods, based on the contractual undiscounted payments, were as follows:

	Less than 3 months	3 to less than 12 months	1 to less than 2 years	2 to less than 3 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group – 2011					
Trade payables	5,641	–	–	–	5,641
Financial liabilities included in other payables and accruals	7,934	–	–	–	7,934
Convertible bonds	–	–	–	178,924	178,924
	13,575	–	–	178,924	192,499
Group – 2010					
Trade payables	5,964	–	–	–	5,964
Financial liabilities included in other payables and accruals	8,071	–	–	–	8,071
Convertible bonds	–	–	–	69,201	69,201
	14,035	–	–	69,201	83,236

	On demand	Within 1 year	1 to less than 2 years	2 to less than 3 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Company – 2011					
Due to subsidiaries	–	–	29,334	–	29,334
Financial liabilities included in other payables and accruals	–	12	–	–	12
Convertible bonds	–	–	–	178,924	178,924
	–	12	29,334	178,924	208,270
Company – 2010					
Due to subsidiaries	–	–	32,891	–	32,891
Financial liabilities included in other payables and accruals	–	11	–	–	11
Convertible bonds	–	–	–	69,201	69,201
Guarantee given to a third party in connection with rental payments of a subsidiary	7,018	–	–	–	7,018
	7,018	11	32,891	69,201	109,121

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from changes in the price of the Company's own shares to the extent that the Company's own equity investments underlie the fair values of derivative financial instruments. The Group was exposed to this risk through the conversion rights attached to the convertible bonds and subscription rights attached to warrants issued by the Company and the forward contract regarding the issuance of convertible bonds.

The following table demonstrates the sensitivity to every 10% change in the fair value of the warrants, the embedded derivatives of convertible bonds and the forward contract as detailed in note 27, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount *HK$'000*	**Increase/ (decrease) in (profit) before tax** *HK$'000*	**Increase/ decrease in equity** *HK$'000*
2011			
If share price increased by 10%			
Warrant liabilities	279,095	(33,367)	(33,367)
Embedded derivatives of convertible bonds	624,282	(72,607)	(72,607)
If share price decreased by 10%			
Warrant liabilities	279,095	33,187	33,187
Embedded derivatives of convertible bonds	624,282	72,607	72,607
2010			
If share price increased by 10%			
Warrant liabilities	89,618	(13,211)	(13,211)
Embedded derivatives of convertible bonds	226,252	(27,088)	(27,088)
Forward contract	287,436	(39,928)	(39,928)
If share price decreased by 10%			
Warrant liabilities	89,618	13,019	13,019
Embedded derivatives of convertible bonds	226,252	27,088	27,088
Forward contract	287,436	39,928	39,928

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2011 and 2010.

The Group monitors capital using gearing ratio, which is total debts divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios as at the end of the reporting periods were as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Convertible bonds	178,924	69,201
Total equity	(690,108)	(486,824)
Gearing ratio	(0.26)	(0.14)

The Group monitors its current and expected cashflow requirements to ensure it maintains sufficient cash and cash equivalents and has available funding to meet its working capital requirement.

38. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period, on 13 May 2011, the Company entered into a supplemental agreement with an independent third party to conditionally acquire 100% equity interest in Well Link Capital Limited ("Well Link"), upon the completion of acquisition, the Group will indirectly hold 25% interest in Zhangjiagang FTZ Libaite Steel Products Co., Ltd. ("Libaite"). Libaite is engaged in the manufacturing of pipes and related equipment for uses by chemical plants in Mainland China. The purchase consideration was in form of HK$80,000,000 cash and the issuance of convertible bonds by the Company in the principal amount of HK$120,000,000, convertible into 100,000,000 shares at the initial conversion price of HK$1.20 each.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 June 2011.

3. UNAUDITED FINANCIAL STATEMENTS

The following financial information is extracted from the unaudited interim report of the Group for the six months ended 30 September 2011. The Company recorded a fair value gain on derivative financial instruments during the period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

		For the six months ended 30 September	
		2011	**2010**
		(Unaudited)	**(Unaudited)**
	Notes	*HK$'000*	*HK$'000*
Revenue	*3*	136,008	137,640
Other income and gains		1,773	913
Fair value gains on derivative financial instruments, net		179,299	71,903
Cost of sales		(43,690)	(46,886)
Staff costs		(42,974)	(39,649)
Rental expenses		(20,334)	(15,644)
Utilities expenses		(10,540)	(11,239)
Depreciation		(3,617)	(3,247)
Other operating expenses		(27,135)	(21,561)
Finance costs	*4*	(4,573)	(852)
Share of result of an associate		(641)	–
Profit before taxation	*5*	163,576	71,378
Income tax credit/(expense)	*6*	767	(663)
Profit for the period		164,343	70,715
Other comprehensive income for the period, net of tax			
(Loss)/gain on property revaluation		(195)	19
Share of other comprehensive loss of an associate		(201)	–
Total comprehensive income for the period		163,947	70,734

		For the six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	*HK$'000*	*HK$'000*
Profit for the period attributable to:			
Owners of the Company		164,136	69,730
Non-controlling interests		207	985
		164,343	70,715
Total comprehensive income attributable to:			
Owners of the Company		163,740	69,749
Non-controlling interests		207	985
		163,947	70,734
Earnings/(losses) per share attributable to owners of the Company			
Basic (HK cents per share)	*7*	28.93	19.19
Diluted (HK cents per share)	*7*	(1.48)	(0.22)
Dividend	*8*	–	–

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	**30 September 2011 (Unaudited)** *HK$'000*	**31 March 2011 (Audited)** *HK$'000*
Non-current assets			
Property, plant and equipment	*9*	23,411	20,981
Investment properties		28,000	29,500
Prepaid land lease payments		7,023	7,073
Available-for-sale investment		500	500
Prepayment for acquisition of property, plant and equipment		–	1,253
Goodwill	*10*	105,440	–
Interest in an associate	*11*	93,637	–
Deferred tax assets, net		2,656	1,620
		260,667	60,927
Current assets			
Inventories		11,879	3,905
Trade receivables	*12*	1,378	969
Prepayments, deposits and other receivables		19,568	16,544
Tax recoverable		313	516
Cash and cash equivalents		236,004	336,720
		269,142	358,654
Less: Current liabilities			
Trade payables	*13*	6,404	5,641
Other payables and accruals		20,006	20,622
Provision for long service payments		1,656	1,060
Derivative financial instruments	*15*	804,872	903,377
		832,938	930,700
Net current liabilities		(563,796)	(572,046)
Total assets less current liabilities		(303,129)	(511,119)

	Notes	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Less: Non-current liabilities			
Convertible bonds	*14*	222,703	178,924
Receipt in advance		250	–
Deferred tax liabilities, net		79	65
		223,032	178,989
Net liabilities		(526,161)	(690,108)
Capital and reserves			
Share capital		56,732	56,732
Reserves		(585,739)	(749,479)
Equity attributable to owners of the Company		(529,007)	(692,747)
Non-controlling interests		2,846	2,639
Total equity		(526,161)	(690,108)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to owners of the Company							
	Issued share capital	**Share premium**	**Building revaluation reserve**	**(Accumulated losses)/ retained earnings**	**Exchange reserve**	**Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2011	56,732	711,292	463	(1,461,234)	–	(692,747)	2,639	(690,108)
Total comprehensive (loss)/income for the period	–	–	(195)	164,136	(201)	163,740	207	163,947
At 30 September 2011 (Unaudited)	56,732	711,292	268	(1,297,098)	(201)	(529,007)	2,846	(526,161)
At 1 April 2010	36,332	43,970	425	(570,587)	–	(489,860)	3,036	(486,824)
Total comprehensive income for the period	–	–	19	69,730	–	69,749	985	70,734
At 30 September 2010 (Unaudited)	36,332	43,970	444	(500,857)	–	(420,111)	4,021	(416,090)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	For the six months ended 30 September	
	2011	**2010**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Net cash flows (used in)/generated from operating activities	(14,960)	3,783
Net cash flows used in investing activities	(125,173)	(60)
Net cash flows used in financing activities	–	(852)
Net (decrease)/increase in cash and cash equivalents	(140,133)	2,871
Cash and cash equivalents at beginning of period	276,237	86,577
Cash and cash equivalents at end of period	136,104	89,448
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	40,104	36,385
Time deposits	195,900	92,114
Cash and bank balances as stated in the consolidated statement of financial position	236,004	128,499
Time deposits with original maturity of more than three months	(99,900)	(39,051)
Cash and cash equivalents as stated in the statement of cash flows	136,104	89,448

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2011

1. CORPORATE INFORMATION

Tack Hsin Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Unit 1203, 12/F, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

During the period, the Company and its subsidiaries (collectively referred to as the "Group") were engaged in the following principal activities:

- restaurant operations
- property investments
- hotel operations

2. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2011 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2011 have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting polices used in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2011 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011, and in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and interpretations) issued by the HKICPA.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopts
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs had no material effect on unaudited condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in the unaudited condensed consolidated interim financial statements.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Amendments) (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosure – Transfer of Financial Assets[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]

1 Effective for annual periods beginning on or after 1 July 2011

2 Effective for annual periods beginning on or after 1 January 2012

3 Effective for annual periods beginning on or after 1 July 2012

4 Effective for annual periods beginning on or after 1 January 2013

3. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provided. 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 2011 and 2010.

	Restaurant (Unaudited) *HK$'000*	**Property (Unaudited)** *HK$'000*	**Hotel (Unaudited)** *HK$'000*	**Corporate (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Six months ended 30 September 2011					
Segment revenue:					
Sales to external customers	124,036	238	11,734	–	136,008
Intersegment sales	–	9,846	–	4,001	13,847
Other income and gains	922	–	160	286	1,368
Intersegment other income and gains	–	–	–	894	894
	124,958	10,084	11,894	5,181	152,117
Reconciliation:					
Elimination of intersegment sales					(13,847)
Elimination of intersegment other income and gains					(894)
Total					137,376

	Restaurant (Unaudited) *HK$'000*	Property (Unaudited) *HK$'000*	Hotel (Unaudited) *HK$'000*	Corporate (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment results	(5,608)	(1,316)	3,496	(7,486)	(10,914)
Reconciliation:					
Interest income and unallocated gains					405
Imputed interest on convertible bonds					(4,573)
Fair value gains on derivative financial instruments					179,299
Share of result of an associate					(641)
Profit before taxation					163,576
At 30 September 2011					
Segment assets	54,932	44,154	8,564	219,926	327,576
Reconciliation:					
Corporate and other unallocated assets					202,233
Total assets					529,809
Segment liabilities	19,580	1,059	5,803	1,624	28,066
Reconciliation:					
Unallocated liabilities					1,027,904
Total liabilities					1,055,970
Six months ended 30 September 2010					
Segment revenue:					
Sales to external customers	128,394	427	8,819	–	137,640
Intersegment sales	–	8,918	–	3,993	12,911
Other income and gains	423	15	100	237	775
Intersegment other income and gains	–	–	–	1,137	1,137
	128,817	9,360	8,919	5,367	152,463
Reconciliation:					
Elimination of intersegment sales					(12,911)
Elimination of intersegment other income and gains					(1,137)
Total					138,415

	Restaurant (Unaudited) *HK$'000*	Property (Unaudited) *HK$'000*	Hotel (Unaudited) *HK$'000*	Corporate (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment results	6,575	570	768	(7,724)	189
Reconciliation:					
Interest income and unallocated gains					138
Imputed interest on convertible bonds					(852)
Fair value gains on derivative financial instruments					71,903
Profit before taxation					71,378
At 31 March 2011					
Segment assets	44,811	45,944	9,355	317,335	417,445
Reconciliation:					
Corporate and other unallocated assets					2,136
Total assets					419,581
Segment liabilities	17,543	1,272	5,646	2,862	27,323
Reconciliation:					
Unallocated liabilities					1,082,366
Total liabilities					1,109,689

4. FINANCE COSTS

	For the six months ended 30 September	
	2011 (Unaudited) *HK$'000*	**2010** (Unaudited) *HK$'000*
Imputed interest on convertible bonds *(Note 14)*	4,573	852

5. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2011 (Unaudited) *HK$'000*	**2010** (Unaudited) *HK$'000*
Amortisation of prepaid land lease payments	50	50
Surplus arising from revaluation of buildings	–	(15)
Fair value loss on investments properties	1,500	–

6. INCOME TAX (CREDIT)/EXPENSE

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.

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charged for the period	255	771
Deferred tax	(1,022)	(108)
Total tax (credit)/charge for the period	(767)	663

7. EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the unaudited profit for the six months ended 30 September 2011 attributable to owners of the Company of approximately HK$164,136,000 (six months ended 30 September 2010: HK$69,730,000), and the weighted average number of ordinary shares of 567,321,620 (six months ended 30 September 2010: 363,321,620) in issue during the six months ended 30 September 2011.

The calculation of diluted losses per share is based on the unaudited profit for the period attributable to owners of the Company, adjusted to reflect the imputed interest on the convertible bonds and fair value gains on derivative financial instruments, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, adjusted to reflect the effect on ordinary shares deemed to be issued at no consideration if all dilutive potential ordinary shares have been exercised or converted into ordinary shares during the six months ended 30 September 2011.

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Unaudited profit attributable to owners of the Company, used in the basic earnings per share calculation	164,136	69,730
Imputed interest expense for the period relating to the liabilities component of the dilutive convertible bonds	3,394	852
Less: Fair value gain on the derivative financial instruments	(181,980)	(71,903)
Unaudited loss attributable to owners of the Company, used in the diluted losses per share calculation	(14,450)	(1,321)

	For the six months ended 30 September	
	2011	**2010**
	(Unaudited)	**(Unaudited)**
	Number of shares	*Number of shares*
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	567,321,620	363,321,620
Effect of dilution-weighted average number of ordinary shares:		
Warrants	74,473,509	15,811,993
Convertible bonds	332,029,640	76,077,480
Forward contract	–	140,056,714
Weighted average number of ordinary shares, used in diluted losses per share calculation	973,824,769	595,267,807

The Company's outstanding zero coupon convertible bonds with principal amount of HK$120,000,000 issued on 1 September 2011 were not included in the calculation of diluted losses per share because the effects of the aforesaid outstanding convertible bonds were anti-dilutive.

8. DIVIDEND

The Board has resolved not to declare interim dividend (2010: nil) in respect of the six months ended 30 September 2011.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group incurred approximately HK$6,242,000 (six months ended 30 September 2010: HK$149,000) on the acquisition of property, plant and equipment.

10. GOODWILL

Movement of goodwill during the period is as follows:

	2011
	(Unaudited)
	HK$'000
Cost:	
At 1 April 2011	–
Acquisition of subsidiaries *(note 16)*	105,440
At 30 September 2011	105,440
Impairment:	
At 1 April 2011 and 30 September 2011	–
Carrying amount:	
At 30 September 2011	105,440
At 31 March 2011	–

During the six months ended 30 September 2011, the Group completed the acquisition of Well Link Capital Limited ("Well Link"). Details of the acquisition were set out in note 16.

For the purpose of impairment testing, goodwill has been allocated to individual cash-generating units which is determined based on related segment. The carrying amount of goodwill (net of impairment losses) as at 30 September 2011 is all regarded as corporate and other unallocated assets in operating segment.

As at 30 September 2011, with regard to the current market situation, the directors of the Company reviewed the carrying amount of goodwill arising from the acquisition of subsidiaries. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budget covering five years approved by senior management. The discount rate applied to the cash flow projections is 13.67% per annum.

11. INTEREST IN AN ASSOCIATE

	30 September 2011 (Unaudited) *HK$'000*	31 March 2011 (Audited) *HK$'000*
Cost of investment in an associate	94,479	–
Share of post-acquisition loss and other comprehensive loss, net of dividends received	(842)	–
	93,637	–

Notes:

(a) The summarised financial information in respect of the Group's associate is set out below:

	30 September 2011 (Unaudited) *HK$'000*	31 March 2011 (Audited) *HK$'000*
Total assets	458,960	–
Total liabilities	(84,411)	–
Net assets	374,549	–
The Group's share of net assets of an associate	93,637	–

	For the six months ended 30 September	
	2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Turnover	4,202	–
Loss for the period	(2,562)	–
The Group's share of result of an associate for the period	(641)	–
The Group's share of other comprehensive loss of an associate for the period	(201)	–

Turnover and loss for the period of the associate of approximately HK$4,202,000 and HK$2,562,000 respectively represents the turnover and loss for the period from the date of acquisition of Well Link, which indirectly held 25% equity interest in the associate, on 1 September 2011 by the Company, and up to 30 September 2011.

(b) Particulars of the Group's interest in an associate as at 30 September 2011 are as follows:

Company name	Place and date of registration and operation	Issued and paid-in/registered capital	Percentage of equity attributable to the Group	Principal activities
江蘇中核利柏特股份有限公司 (transliterated as Jiangsu China Nuclear Industry Libert INC) ("Zhong He Libert")	The People's Republic of China (the "PRC")/ 20 October 2006	RMB289,091,118	Indirect: 25%	Manufacturing and sale of pipes, steel products and related equipment for uses by chemical plant in the PRC and overseas

(c) On 23 December 2010, 29 December 2010 and 13 May 2011, the Company entered into agreements with an independent third party, to acquire 100% of the entire issued share capital of Well Link at a total consideration of HK$200,000,000. The acquisition was completed on 1 September 2011. The principal activity of Well Link was 25% equity investment in Zhong He Libert. Details of the acquisition were set out in note 16.

12. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2011 (Unaudited) *HK$'000*	31 March 2011 (Audited) *HK$'000*
Within 3 months	1,378	969

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. The Group does not hold any collateral or other credit enhancements over these balances.

13. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2011 (Unaudited) *HK$'000*	31 March 2011 (Audited) *HK$'000*
Within 3 months	6,404	5,641

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

14. CONVERTIBLE BONDS

(a) On 16 November 2009, the Company issued zero coupon convertible bonds in the principal amount of HK$80,000,000 ("Convertible Bonds 1") for cash to an independent third party. The Convertible Bonds 1 are convertible at the option of the bondholder into the Company's ordinary shares of HK$0.10 each at a conversion price of HK$0.40 per share from the end of the three-month period from the issue date and up to (but excluding) the period of five business days ending on the maturity date. Any Convertible Bonds 1 not converted will be redeemed by the Company on 16 November 2012. During the year ended 31 March 2011, Convertible Bonds 1 was fully converted.

(b) On 17 March 2011, the Company issued zero coupon rate unsecured redeemable convertible bonds in the principal amount of HK$200,000,000 ("Convertible Bonds 2") for cash to an independent third party. The Convertible Bonds 2 are convertible at the option of the bondholder into the Company's ordinary shares of HK$0.10 each at a conversion price of HK$0.50 per share from the end of the three-month period from the issue date and up to (but excluding) the period of five business days ending on the maturity date. Any Convertible Bonds 2 not converted will be redeemed by the Company on 17 March 2014. During the six months ended 30 September 2011, no Convertible Bonds 2 were converted or redeemed.

(c) On 1 September 2011, the Company issued zero coupon rate unsecured redeemable convertible bonds in the principal amount of HK$120,000,000 ("Convertible Bonds 3") to an independent third party as part of consideration for acquisition of subsidiaries. The Convertible Bonds 3 are convertible at the option of the bondholder into the Company's ordinary shares of HK$0.10 each at a conversion price of HK$1.20 per share from the end of the first anniversary period from the issue date and up to (but excluding) the period of five business days ending on the maturity date. Any Convertible Bonds 3 not converted, cancelled, purchased or otherwise acquired will be redeemed by the Company on 1 September 2014. During the six months ended 30 September 2011, no Convertible Bonds 3 were converted or redeemed.

The conversion option of the Convertible Bonds 2 and Convertible Bonds 3 exhibits characteristics of an embedded derivative and is separated from the liability components. On initial recognition, the fair value of the liability component of the Convertible Bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option or other embedded derivative. The embedded derivative component is measured at fair value and presented as a derivative financial instrument. At each reporting date, the embedded derivative component is remeasured and the change in fair value of that component is recognised in the consolidated statement of comprehensive income.

The Convertible Bonds 2 and Convertible Bonds 3 issued have been split as to the embedded derivative and the liability components as follows:

	Convertible Bonds 2 (Unaudited) *HK$'000*	Convertible Bonds 3 (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Liability component			
At 1 April 2011	178,924	–	178,924
Issue of convertible bonds during the period	–	39,206	39,206
Imputed interest expense *(note 4)*	3,394	1,179	4,573
At 30 September 2011	182,318	40,385	222,703
Derivative component			
At 1 April 2011	624,282	–	624,282
Issue of convertible bonds during the period	–	80,794	80,794
Fair value (gain)/loss on derivative financial instruments	(64,581)	2,681	(61,900)
At 30 September 2011	559,701	83,475	643,176

15. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2011 (Unaudited) *HK$'000*	31 March 2011 (Audited) *HK$'000*
Warrants (a)	161,696	279,095
Embedded derivatives of convertible bonds *(note 14)*	643,176	624,282
	804,872	903,377

(a) On 19 October 2009, the Company issued 72,000,000 warrants at HK$0.02 each to certain independent third parties. Each warrant carries the right to subscribe for one ordinary share at HK$0.90 per share for the period of three years commencing from 19 October 2009. The subscription price was adjusted to HK$0.62 each from 17 March 2011. Any warrant rights not exercised will be expired on 18 October 2012.

Movement of warrants during the period is as follows:

	2011 (Unaudited) *HK$'000*
At 1 April 2011	279,095
Fair value gain on warrants	(117,399)
At 30 September 2011	161,696

16. ACQUISITION OF SUBSIDIARIES

On 23 December 2010, 29 December 2010 and 13 May 2011, the Company entered into agreements with an independent third party, to acquire the entire issued share capital of Well Link Capital Limited at a total consideration of HK$200,000,000. The acquisition was completed on 1 September 2011.

The assets acquired in the transaction are as follows:

	Fair values of identifiable assets of acquiree (Unaudited)
	HK$'000
Net assets acquired:	
Interest in an associate	94,479
Cash and cash equivalents	81
	94,560
Goodwill arising on acquisition *(note 10)*	105,440
	200,000
Total consideration satisfied by:	
Cash consideration paid	80,000
Issuance of convertible bonds	120,000
	200,000
Net cash outflow arising on acquisition:	
Cash consideration	(80,000)
Cash and cash equivalents acquired	81
	(79,919)

Note:

During the six months ended 30 September 2011, Well Link and its subsidiary and associate contributed approximately nil to the Group's turnover and a loss of approximately HK$651,000 to the Group's profit for the period from the date of acquisition to the end of the reporting period.

If the acquisition had been completed on 1 April 2011, the Group's turnover for the period would have been approximately HK$136,008,000, and profit for the period would have been approximately HK$163,246,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

17. CONTINGENT LIABILITIES

At the end of the reporting period, the Company and the Group had no contingent liabilities not provided for in these financial statements (31 March 2011: nil).

18. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

		For the six months ended 30 September	
	Note	2011 (Unaudited)	2010 (Unaudited)
Transactions with a director:			
Rental expenses paid	*(i)*	42	36

Note:

(i) The Group paid rental expenses to a director of the Company. The rentals were determined with reference to open market rentals.

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

	For the six months ended 30 September	
	2011 (Unaudited)	2010 (Unaudited)
Short term employee benefits	1,867	1,357
Post-employment benefits	30	29
Total compensation paid to key management personnel	1,897	1,386

19. EVENTS AFTER THE REPORTING PERIOD

(a) On 10 October 2011, the Company and the holders of the Convertible Bonds 2 entered into an amended agreement which agreed to amend certain terms and conditions in the Convertible Bonds 2, subject to fulfillment of certain conditions. Details of the amendments and condition precedents were set out in the Company's announcement dated 28 October 2011 and circular dated 16 November 2011.

(b) On 28 October 2011, China He Investment (Hong Kong) Company Limited ("China He Investment HK"), a party acting in concert (as defined in the Code of Takeovers and Mergers of Hong Kong (the "Takeovers Code")) with China Nuclear Industry 23 Construction (Hong Kong) Limited ("CNI 23 HK"), which holds part of the Convertible Bonds 2 in the principal amount of HK$50,000,000, has indicated to the Company its intention to exercise the conversion rights attaching to the portion of the Convertible Bonds 2 held by it in full after the proposed amendments as mentioned in note 19(a) above having become effective and at the same time when CNI 23 HK exercises the conversion rights attaching to the portion of the Convertible Bonds 2 held by CNI 23 HK in full. Upon exercise of the conversion rights attaching to the Convertible Bonds 2 held by CNI 23 HK and China He Investment HK in full, CNI 23 HK and China He Investment HK will be interested in 300,000,000 and 100,000,000 shares of the Company, respectively, representing approximately 31.01% and 10.34% of the issued share capital of the Company as enlarged by the issue and allotment of the conversion shares pursuant to the exercise in full of the conversion rights attaching to the Convertible Bonds 2 (assuming no exercise of the subscription rights attaching to the outstanding warrants).

Pursuant to the Takeovers Code, CNI 23 HK is required to make (i) a conditional mandatory cash offer to acquire all the issued shares of the Company (other than those shares already owned by or agreed to be acquired by CNI 23 HK and parties acting in concert (as defined in the Takeovers Code) with it at the time when the a conditional mandatory cash offer to acquire all the issued shares of the Company is made), (ii) a conditional mandatory cash offer to the warrantholders for cancellation of all outstanding warrants (other than those already owned by or to be acquired by CNI 23 HK and parties acting in concert with it) and (iii) a conditional mandatory cash offer to the holders of the Convertible Bonds 3 for all the outstanding Convertible Bonds 3 (other than those already owned by or to be acquired by CNI 23 HK and parties acting in concert with it) pursuant to the Takeovers Code.

Details of the above conditional mandatory cash offers and the proposed amendments were set out in the Company's announcements dated 28 October 2011 and 18 November 2011.

20. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 23 November 2011.

4. INDEBTEDNESS

At the close of business on 31 October 2011, being the latest practicable date for this statement of indebtedness prior to printing of this Composite Document, the Group had no bank borrowings and had outstanding convertible bonds with aggregate principal amount of HK$200,000,000 arising from the CNI 23 HK Convertible Bonds and China He Investment HK Convertible Bonds and had outstanding convertible bonds with aggregate principal amount of HK$120,000,000 arising from Acquisition Convertible Bonds.

On 2 December 2011, the Offeror exercised in full the Conversion Rights attaching to the CNI 23 HK Convertible Bonds and 300,000,000 Conversion Shares were issued on 5 December 2011. On 2 December 2011, China He Investment HK exercised in full the Conversion Rights attaching to the China He Investment HK Convertible Bonds and 100,000,000 Conversion Shares were issued on 5 December 2011.

Save as disclosed above and apart from intra-group liabilities and Acquisition Convertible Bonds, the Group did not have any loan capital issued and outstanding or agreed to be issued, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 October 2011.

5. MATERIAL CHANGE

For the six months ended 30 September 2011, the Group recorded unaudited profit for the period of approximately HK$164.3 million. As disclosed in the announcements of the Company dated 21 November 2011 and 23 November 2011 in relation to the expected positive profit alert for the interim results for the six months ended 30 September 2011 and the interim results for the six months ended 30 September 2011 respectively, the profit of the Group for the six months ended 30 September 2011 increased substantially as compared to that for the six months ended 30 September 2010 of approximately HK$70.7 million principally due to the fair value gain on derivative financial instruments as a result of the change in the share price of the Company as at 30 September 2011 as compared to that as at 30 September 2010.

On 2 December 2011, the Conversion Rights attached to the Convertible Bonds were fully exercised. As a result, 300,000,000 Conversion Shares and 100,000,000 Conversion Shares were issued to the holders of the Convertible Bonds, namely the Offeror and China He Investment HK respectively, and the Convertible Bonds with carrying amount of approximately HK$182.3 million included in the non-current liabilities and amount of approximately HK$559.7 million included in the current liabilities as at 30 September 2011 respectively as disclosed in the announcement dated 23 November 2011 of the Company in relation to the interim results for the six months ended 30 September 2011 were capitalised as share capital and share premium upon conversion.

The Directors confirmed that as at the Latest Practicable Date, save as aforesaid, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2011, being the date to which the latest published audited financial statements of the Company were made up.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than any information relating to the CNI Enterprise Group Companies) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the directors of CNI 23 or the Offeror) expressed in this Composite Document have been arrived after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

(a) Share Capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
5,000,000,000	Shares	500,000,000.00
Issued and fully paid:		*HK$*
967,321,620	Shares	96,732,162.00

All of the issued Shares rank pari passu in all respects with each other, including all rights as to dividends, voting and interests in capital.

Save for 400,000,000 Conversion Shares which were issued on 5 December 2011 as to 300,000,000 Conversion Shares to the Offeror and 100,000,000 Conversion Shares to China He Investment HK upon the exercise in full of the Conversion Rights, no new Shares were issued since 31 March 2011 (being the date on which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date.

The Shares are listed and traded on the Stock Exchange. No Shares are listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be sought, on any other stock exchange.

(b) Options, warrants and conversion rights

As at the Latest Practicable Date, the Company had (i) 967,321,620 Shares in issue; (ii) outstanding Warrants to subscribe for 94,354,839 Shares; and (iii) the Acquisition Convertible Bonds which may be converted into 100,000,000 Shares upon exercise of the conversion rights in full. Save as disclosed, as at the Latest Practicable Date, there were no other outstanding warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long Position in the Shares:

Name	Nature of interest	Number of Shares	Approximate percentage† of the issued share capital of the Company *(%)*
Mr. Chan Shu Kit *(Note)*	Interest of a controlled corporation	114,240,000	11.81

Note: Such Shares were held by Hoylake Holdings Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is owned by Mr. Chan Shu Kit, an executive Director.

† The percentage represents the number of ordinary Shares interested divided by the number of the Company's issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

(a) Long Positions in the Shares:

Name	Nature of interest	Number of Shares	Approximate percentage† of the issued share capital of the Company *(%)*
Chan Shu Kit	Interest of a controlled corporation	114,240,000	11.81
Hoylake Holdings Limited *(Note 1)*	Beneficial interest	114,240,000	11.81
Zhao Xu Guang *(Note 2)*	Interest of controlled corporations	77,000,000	7.96
Prosper Alliance Investments Limited *(Note 2)*	Directly beneficially owned	60,000,000	6.20
Cheung Mui *(Note 3)*	Interest of a controlled corporation	60,000,000	6.20
Grand Honest Limited *(Note 3)*	Directly beneficially owned	60,000,000	6.20
Lee Yu Leung	Directly beneficially owned	50,000,000	5.17
CNEGC *(Notes 4 and 5)*	Interest of controlled corporations	400,000,000	41.35

Name	Nature of interest	Number of Shares	Approximate percentage† of the issued share capital of the Company *(%)*
Zhong He Investment Company Limited *(Note 4)*	Interest of a controlled corporation	100,000,000	10.34
China He Investment HK *(Note 4)*	Directly beneficially owned	100,000,000	10.34
CNECC *(Note 5)*	Interest of controlled corporations	300,000,000	31.01
CNI 23 *(Note 5)*	Interest of a controlled corporation	300,000,000	31.01
The Offeror *(Note 5)*	Directly beneficially owned	300,000,000	31.01

Notes:

1. Hoylake Holdings Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is owned by Mr. Chan Shu Kit.

2. A controlled corporation of Zhao Xu Guang. Mr Zhao is also the sole member of Rui Tong Investments Limited which holds 17,000,000 outstanding Warrants.

3. A controlled corporation of Cheung Mui.

4. CNEGC holds 100% interests in 中核投資有限公司 (Zhong He Investment Company Limited*) ("Zhong He") which in turn holds 100% interests in China He Investment HK. Thus, CNEGC and Zhong He are deemed to be interested in the 100,000,000 Shares by virtue of their respective indirect or direct 100% interests in China He Investment HK.

5. CNEGC holds approximately 79.2% interests in CNECC which holds 80% interests in CNI 23. CNI 23 holds 100% interests in the Offeror, thus each of CNEGC, CNECC and CNI 23 are deemed to be interested in the 300,000,000 Shares by virtue of their respective indirect or direct interests in the Offeror.

† The percentage represents the number of ordinary Shares interested divided by the number of the Company's issued Shares as at the Latest Practicable Date.

* *For identification purposes only*

(b) Long positions in underlying Shares of the Company:

Name	Capacity and nature of interest	Number of underlying Shares held	Approximate percentage† of the Company's issued share capital *(%)*
Jiang Hailing *(Note)*	Interest of a controlled corporation	100,000,000	10.34
Shining Rejoice Limited *(Note)*	Directly beneficially owned	100,000,000	10.34

Note: Such interests in 100,000,000 underlying Shares of the Company are derived from the Acquisition Convertible Bond, which are unlisted and physically settled. Jiang Hailing is deemed to be interested in these underlying Shares by virtue of her 100% interests in Shining Rejoice Limited.

† The percentage represents the number of underlying Shares interested divided by the number of the Company's issued shares as enlarged by the underlying Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors, whose interests are set out in the section headed "Interests of Directors and chief executive of the Company" 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.

As at the Latest Practicable Date, Mr. Chan Shu Kit, being the sole shareholder of Hoylake Holdings Limited, indicated that Hoylake Holdings Limited intended not to accept the Offers.

4. INTEREST IN THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror and CNI 23.

5. DEALINGS IN SECURITIES OF THE COMPANY

During the Relevant Period,

(a) the Directors did not have any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

(b) no subsidiaries of the Company, pension funds of any member of the Group or any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

(c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and

(d) no fund managers connected with the Company had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

6. DEALINGS IN SECURITIES OF THE OFFEROR

During the Relevant Period, none of the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror and CNI 23.

7. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

(a) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code;

(b) none of the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code had any arrangement or indemnity of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;

(c) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code;

(d) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Company;

(e) no benefit (other than statutory compensation) was or would be given by the Offeror to any Director as compensation for loss of office or otherwise in connection with the Offers;

(f) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;

(g) no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and

(h) none of the Company or the Directors borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

8. DIRECTORS' SERVICE CONTRACTS

Mr. Chan Shu Kit and Mr. Chan Ho Man, being the executive Directors, have entered into their respective service agreements with the Company, both on 1 April 2011, for a term of two years which are subject to the terms of termination of their respective service agreements and also subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws. The remuneration of Mr. Chan Shu Kit is HK$1,008,000 annually for the first year of his service agreement which shall be subject to review by the Company after completion of the first year of his service agreement. The remuneration of Mr. Chan Ho Man is HK$696,000 annually for the first year of his service agreement which shall be subject to review by the Company after completion of the first year of his service agreement. Each of Mr. Chan Shu Kit and Mr. Chan Ho Man is entitled to a discretionary year-end bonus to be determined by the Board (Mr. Chan Shu Kit or Mr. Chan Ho Man (as the case may be) shall abstain from voting at the relevant meeting of the Board approving his entitlement of discretionary bonus) provided that the aggregate amount payable by the Company to all Directors for all year-end discretionary bonuses shall not exceed 5% of the profit after tax for the financial year-end of the Company.

Ms. Jian Qing ("**Ms. Jian**"), being the executive Director, has entered into a service contract with the Company with effect from 19 October 2009 for a term of three years which is subject to the terms of termination of her service agreement and also subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws. The initial remuneration of Ms. Jian was HK$40,000 per month for the first year of her service agreement which shall be subject to the annual review by the Company after completion of the first year of her service agreement. The Company has reviewed Ms. Jian's remuneration after the first year of her service agreement and the remuneration of Ms. Jian has been increased to HK$60,000 per month with effect from 1 December 2010. In addition, Ms. Jian is entitled to a discretionary year-end bonus to be determined by the Board (other than Ms. Jian) provided that the aggregate amount payable by the Company to all Directors for all year-end discretionary bonuses shall not exceed 5% of the profit after tax for the financial year-end of the Company.

Mr. Chung Chi Shing ("**Mr. Chung**") has been appointed as an executive Director with effect from 1 December 2010 for a term of three years which is subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws. The remuneration of Mr. Chung is HK$80,000 per month for the first year of his service agreement which shall be subject to the annual review by the Company after completion of the first year of his service agreement. In addition, Mr. Chung is entitled to a discretionary year-end bonus to be determined by the Board (other than Mr. Chung) provided that the aggregate amount payable by the Company to all Directors for all year-end discretionary bonuses shall not exceed 5% of the profit after tax for the financial year-end of the Company.

Mr. Chan Ka Ling, Edmond ("**Mr. Chan**"), an independent non-executive Director, has signed a letter of appointment with the Company with effect from 1 April 2011 which is subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws and the appointment shall be extended for a further period until 31 March 2013. Mr. Chan Ka Ling, Edmond is paid a director's fee of HK$150,000 per annum or such sum as may be approved by the Shareholders at general meeting from time to time and the Company will reimburse him for all expenses properly and reasonably incurred by him in the conduct of the Company's business or in discharging his duties as a Director. There is no variable remuneration payable under Mr. Chan's letter of appointment with the Company.

The executive Directors, Mr. Han Naishan and Mr. Lei Jian, and the independent non-executive Directors, Mr. Chang Nan and Dr. Dai Jinping were appointed on 27 June 2011 and Mr. Song Limin ("**Mr. Song**") was appointed on 19 August 2011. The remuneration committee will convene a meeting to determine the terms of their service agreements or letters of appointment (as the case may be) in details to be recommended to the Board for approval. As such, as at the Latest Practicable Date, such newly appointed executive Directors and independent non-executive Directors have not yet signed any service agreement or appointment letter with the Company (except for Mr. Song who has signed an employment contract with a subsidiary of the Company) and would do so after determination by the remuneration committee and the Board and the Company has not paid any remuneration or any variable remuneration to such new Directors.

Mr. Song entered into an employment contract with a subsidiary of the Company as a general manager with effect from 5 November 2011. The remuneration of Mr. Song is HK$50,000 per month which shall be subject to the annual review by such subsidiary of the Company and such subsidiary of the Company will reimburse him for all expenses properly and reasonably incurred by him on the business of the subsidiary of the Company. In addition, Mr. Song is entitled to a discretionary annual bonus which is equivalent to one month of his basic salary.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with the Company or any of its subsidiaries or associated companies in force which:

(i) (including both continuous and fixed term contracts) have been entered into or amended within the Relevant Period;

(ii) were continuous contracts with a notice period of 12 months or more;

(iii) were fixed term contracts with more than 12 months to run irrespective of the notice period.

9. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Group.

10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group after the date the two years immediately preceding the date of the commencement of the Offer Period and are, or may be, material:

(a) the subscription agreement entered into between the Company as issuer and China He Investment (Hong Kong) Company Limited as subscriber on 20 January 2010 in relation to the subscription and issuance of the Convertible Bonds at an exercise price of the Conversion Price;

(b) a supplemental agreement to the subscription agreement mentioned in sub-paragraph (a) above entered into by the parties thereto on 17 September 2010 for the extension of the long stop date;

(c) the equity transfer agreement dated 20 January 2010 entered into between Bo Xin Asset Management Company Limited as vendor and the Company as purchaser in relation to the acquisition of 7.5% of the issued share capital of China Nuclear Concrete Company Limited at the consideration of RMB6,429,517.50, subject to the terms and conditions of the said equity transfer agreement. The said equity transfer agreement was lapsed on 15 January 2011;

(d) the Acquisition Agreement at a consideration of HK$200,000,000;

(e) the First Supplemental Agreement;

(f) the Second Supplemental Agreement;

(g) an equity transfer agreement dated 10 April 2010 entered between East King and 深圳市華瑞投資有限公司 (transliterated as Shenzhen Hua Rui Investment Co., Ltd.) ("**Shenzhen Hua Rui**") in relation to the transfer of 5% interest of Zhangjiagang Libaite owned by East King to Shenzhen Hua Rui at a consideration of RMB1,500,000;

(h) the Equity Transfer Agreement at a consideration of HK$100,000,000;

(i) the termination agreement dated 13 May 2011 entered into between Well Link and East King for the termination of the Equity Transfer Agreement;

(j) the East King Agreement at a consideration of HK$180,000,000;

(k) an agreement entered into between 沈偉強 (transliterated as Shen Wei Qiang) ("**Mr. Shen**") and Well Link dated 26 August 2011 in relation to the settlement of the outstanding debt in the amount of HK$2,456,042.71 due from Mr. Shen to Zhong He Libert by setting-off such outstanding amount against the consideration sum paid by Well Link to Mr. Shen under the East King Agreement;

(l) a deed of indemnity executed by Mr. Shen in favour of East King and Well Link dated 26 August 2011 pursuant to which Mr. Shen agreed to waive all outstanding debt due from East King to Mr. Shen and Mr. Shen undertook to repay all outstanding debt in the amount of HK$2,456,042.71 due to Zhong He Libert;

(m) an instrument constituting the Acquisition Convertible Bond executed by the Company dated 1 September 2011;

(n) the Amendment Agreement; and

(o) the amended and restated instrument executed by the Company dated 2 December 2011 amending the Bond Instrument.

Save as disclosed above, there are no other contracts, not being contracts entered into in the ordinary course of business of the Group, having been entered into by the Group after the date two years immediately preceding the date of the commencement of the Offer Period.

11. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who had given its opinion or advice contained in this Composite Document:

Name	Qualification
GF Capital (Hong Kong) Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO.

The above expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its advice, report and the references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which had been, since 31 March 2011, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. MISCELLANEOUS

(a) Mr. Tam Cheuk Ho is the company secretary of the Company. He is a certified public accountant and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK).

(b) The Hong Kong branch share registrar of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The registered office of the Company is situated at Clarendon House, Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is Room 1203, 12/F, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

(d) The registered address of Partners Capital is situated at Unit 3906, COSCO Tower, 183 Queen's Road Central, Hong Kong.

(e) The registered address of GF Capital is situated at 2301-05, 2313 COSCO Tower, 183 Queen's Road Central, Hong Kong.

(f) If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this Composite Document and their English translation, the Chinese version shall prevail. Other than that, the English text of this Composite Document shall prevail over the Chinese text in the case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at principal place of business of the Company in Hong Kong at Room 1203, 12/F, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong; (ii) on the website of the Securities and Futures Commission (www.sfc.hk); and (iii) the Company's website at http://tackhsin.etnet.com.hk during the period from the date of this Composite Document onwards for as long as the Offers remain open for acceptance:

(a) the Memorandum and the Bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 March 2009, 2010 and 2011;

(c) the interim report of the Company for the six months ended 30 September 2011;

(d) the letter from the Board as set out on pages 24 to 35 of this Composite Document;

(e) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the Acquisition Convertible Bondholder and the Warrantholders, the text of which is set out in this Composite Document;

(f) the letter of advice from GF Capital to the Independent Board Committee, the text of which is set out in this Composite Document;

(g) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(h) the service contracts referred in the section headed "Directors' Service Contracts" in this Appendix;

(i) the written consent from GF Capital referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix; and

(j) the written consent of Partners Capital for the issue of the Composite Document with the inclusion of its name in the form and context in which it appears.

1. RESPONSIBILITY STATEMENT

The information contained in this Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information (other than any information relating to the Group and the CNI Enterprise Group Companies (excluding the Offeror)) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Directors or the directors of the CNI Enterprise Group Companies (excluding the Offeror)) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

As the Latest Practicable Date, the directors of the Offeror were Messrs. Guo Shuwei and Wei Xitao.

The directors of CNI 23 jointly and severally accept full responsibility for the accuracy of the information (other than any information relating to the Group) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Directors) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

As the Latest Practicable Date, the directors of CNI 23 were Messrs. Dong Yuchuan, Wang Jiping, Han Naishan, Ms. Fan Qili, Messrs. Li Jing, Dong Yushu and Wang Feng.

2. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	**Closing price per Share** *HK$*
31 March 2011	3.560
29 April 2011	3.270
31 May 2011	3.210
30 June 2011	2.970
29 July 2011	2.900
31 August 2011	2.380
9 September 2011 (Last Trading Day)	2.320
30 September 2011	trading suspended
31 October 2011	2.420
30 November 2011	1.750
Latest Practicable Date	1.700

The highest and lowest closing price of the Shares during the Relevant Period were HK$3.47 per Share on 12 May 2011 and HK$1.70 per Share on 6 December 2011 and 9 December 2011.

3. DISCLOSURE OF INTERESTS

Save for the 300,000,000 Conversion Shares and 100,000,000 Conversion Shares issued to the Offeror and China He Investment HK, respectively, upon exercise in full of the Conversion Rights attaching to the Convertible Bonds, none of the Offeror, its directors and parties acting in concert with the Offeror, owned, or had control or direction over, any Shares, rights over the Shares (including agreements to purchase, options, warrants, convertible securities, voting rights and irrevocable commitments to accept any of the Offers) or derivatives in respect of the Shares at the Latest Practicable Date.

4. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

(a) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or any party acting in concert with it and any other person.

(b) As at the Latest Practicable Date, no person had irrevocably committed himself to accept or not to accept the Offers.

(c) As at the Latest Practicable Date, no Shares or convertible securities, warrants, options or derivatives of the Company was owned or controlled by a person with whom the Offeror or any party acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(d) As at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it had borrowed or lent any Shares or convertible securities, warrants, options or derivatives of the Company.

(e) As at the Latest Practicable Date, no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Offeror or any party acting in concert with it, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(f) On 17 March 2011, China He Investment HK created (i) a charge over the Convertible Bonds in the principal amount of HK$150 million in favour of Fortune Case Limited ("Fortune Case") as security for a loan in the principal amount of HK$150 million provided by Fortune Case to China He Investment HK; and (ii) another charge over the remaining Convertible Bonds in the principal amount of HK$50 million in favour of Vigo Hong Kong Investment Limited ("Vigo") as security for a loan in the principal amount of HK$52 million provided by Vigo to China He Investment HK. The use of such two loans was for the subscription by China He Investment HK of the Convertible Bonds. These two charges were subsequently released by Fortune Case and Vigo respectively on 17 June 2011 after repayment in full of such loans. The Offeror acquired the CNI 23 HK Convertible Bonds from China He Investment HK on 17 June 2011 at a consideration of HK$150 million, which is equal to the principal amount of the CNI 23 HK Convertible Bonds. On 2 December 2011, the Offeror submitted the notice of conversion to the Company to exercise in full the Conversion Rights attaching to the CNI 23 HK Convertible Bonds and was issued 300,000,000 Conversion Shares on 5 December 2011. On 2 December 2011, China He Investment HK submitted the notice of conversion to the Company to exercise in full the Conversion Rights attaching to the China He Investment HK Convertible Bonds and was issued 100,000,000 Conversion Shares on 5 December 2011. Save as disclosed above, none of the Offeror, the Offeror's directors and parties acting in concert with it had dealt in the Shares, options, convertible note, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

5. OTHER ARRANGEMENTS IN RELATION TO THE OFFERS

As at the Latest Practicable Date:

(a) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror and parties acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependent on the Offers;

(b) no material contracts had been entered into by the Offeror in which any Director has a material personal interest;

(c) there was no agreement or arrangement to which the Offeror nor any party acting in concert with it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;

(d) there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons;

(e) no benefit had been or would be given by the Offeror to any Directors as compensation for loss of office or otherwise in connection with the Offers; and

(f) there were no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares (or other relevant securities of the Company) or the shares of the Offeror (or other relevant securities of the Offeror) which might be material to the Offers.

6. EXPERTS' QUALIFICATIONS AND CONSENTS

The following is the qualification of the experts whose letter/opinion is contained in this Composite Document:

Name	Qualification
Athens Capital Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Fortune (HK) Securities Limited	a licensed corporation to carry on Type 1 (dealing in securities) regulated activity under the SFO

The above experts have given and have not withdrawn their respective written consents to the issue of this Composite Document with the inclusion of their advices, reports and the references to their names in the form and context in which they appear.

As at the Latest Practicable Date, the above experts did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any direct or indirect interest in any assets which had been, since 31 March 2011, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. GENERAL

The registered office of the Offeror is situated at Room 1110, 11/F, 113 Argyle Street, Mongkok, Kowloon, Hong Kong.

The registered office of Fortune Securities is situated at 35/F Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong.

The registered office of Athens Capital is situated at 35/F Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong.

The English text of this Composite Document and the Form(s) of Acceptance shall prevail over their respective Chinese texts in the case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Room 1203, 12/F, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong; (ii) on the website of the Securities and Futures Commission (www.sfc.hk); and (iii) the Company's website at http://tackhsin.etnet.com.hk during the period from the date of this Composite Document onwards for as long as the Offers remain open for acceptance:

(a) the memorandum and articles of association of the Offeror;

(b) the letter from Fortune Securities as set out on pages 10 to 23 of this Composite Document; and

(c) the letters of consent from Fortune Securities and Athens Capital respectively as referred to in the paragraph headed "Experts' Qualifications and Consents" in this Appendix.