



TACK HSIN HOLDINGS LIMITED

Stock Code: 00611



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CONTENTS

CORPORATE INFORMATION	2
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	
Summary	4
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	10
MANAGEMENT'S DISCUSSION AND ANALYSIS	20
OTHER INFORMATION	21

CORPORATE INFORMATION

Board of Directors

Executive Directors:

Mr. Chan Shu Kit (*Chairman*)
Mr. Kung Wing Yiu (*Deputy Chairman*)
(resigned on 30 November 2010)
Mr. Chan Ho Man
Ms. Jian Qing
Mr. Chung Chi Shing
(appointed on 1 December 2010)

Independent non-executive Directors:

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

Audit Committee

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

Remuneration Committee

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

Company Secretary

Mr. Tam Cheuk Ho

Principal Bankers

Chong Hing Bank Limited
HSBC Holdings Plc

Auditors

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

Hong Kong Legal Adviser

Richards Butler
19th Floor
Alexandra House
Central
Hong Kong

Bermuda Legal Adviser

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

Hong Kong Share Registrars

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Tesbury Centre
28 Queen's Road East
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Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Hong Kong Principal Office

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Peninsula Centre
67 Mody Road
Tsim Sha Tsui East
Kowloon
Hong Kong

Stock Code

611

Website

www.tackhsin.com
<http://tackhsin.etnet.com.hk>

Notes:

The following changes have been effected after the six months ended 30 September 2010 and the information provided above has incorporated such changes:

- (1) Mr. Kung Wing Yiu resigned as Executive Director and Deputy Chairman with effect from 30 November 2010; and
- (2) Mr. Chung Chi Shing was appointed as Executive Director with effect from 1 December 2010.

SUMMARY

- During the six months, the Group's turnover amounted to HK\$137,640,000, representing a 7.6% increase.
- During the six months, the Group's core business recorded a loss after tax of HK\$1,188,000.
- Derivative financial liabilities and the related profit on changes in fair value amounted to HK\$71,903,000.
- Progressively expanding Hong Kong business and developing domestic emerging market.

The board of directors (the “Board”) of Tack Hsin Holdings Limited (德興集團有限公司)* (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2010, together with the comparative figures. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

		For the six months ended 30 September	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	2	137,640	127,847
Other income and gains		913	5,227
Fair value gains on derivative financial instruments		71,903	–
Cost of sales		(46,886)	(41,032)
Staff costs		(39,649)	(37,944)
Rental expenses		(15,644)	(18,363)
Utilities expenses		(11,239)	(10,861)
Depreciation		(3,247)	(3,242)
Other operating expenses		(21,561)	(17,962)
Finance costs	3	(852)	(215)
PROFIT BEFORE TAX	4	71,378	3,455
Income tax expense	5	(663)	(730)
PROFIT FOR THE PERIOD AND COMPREHENSIVE INCOME FOR THE PERIOD		<u>70,715</u>	<u>2,725</u>
Attributable to:			
Owners of the parent		69,730	1,856
Minority interests		985	869
		<u>70,715</u>	<u>2,725</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic		<u>19.19 cents</u>	<u>0.52 cents</u>
Diluted		<u>(0.22 cents)</u>	<u>N/A</u>
DIVIDEND	7	<u>–</u>	<u>3,603</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2010

		30 September 2010	31 March 2010
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	23,503	26,608
Investment properties		29,000	29,000
Prepaid land lease payments		7,124	7,174
Property held for development		–	–
Deferred tax assets, net		1,287	1,291
Total non-current assets		60,914	64,073
CURRENT ASSETS			
Inventories		6,040	2,540
Trade receivables	9	1,981	1,359
Prepayments, deposits and other receivables		17,519	16,160
Cash and cash equivalents		128,499	125,579
Total current assets		154,039	145,638
CURRENT LIABILITIES			
Trade payables	10	6,269	5,964
Other payables and accruals		19,713	14,634
Provision for long service payments		1,094	1,333
Derivative financial instruments	12	531,403	603,306
Tax payable		2,374	1,922
Total current liabilities		560,853	627,159
NET CURRENT LIABILITIES		(406,814)	(481,521)
TOTAL ASSETS LESS CURRENT LIABILITIES		(345,900)	(417,448)
NON-CURRENT LIABILITIES			
Convertible bonds	11	70,053	69,201
Deferred tax liabilities, net	5	137	175
Total non-current liabilities		70,190	69,376
Net liabilities		(416,090)	(486,824)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)
30 September 2010

	30 September 2010 (Unaudited)	31 March 2010 (Audited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
DEFICIENCY OF ASSETS		
Equity attributable to owners of the parent		
Issued capital	36,332	36,332
Reserves	(456,443)	(526,192)
	(420,111)	(489,860)
Minority interests	4,021	3,036
Total deficiency of assets	(416,090)	(486,824)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Attributable to equity holders of the parent							Total equity (Unaudited) HK\$'000
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Fixed asset revaluation reserve (Unaudited) HK\$'000	Retained profits/(accumulated losses) (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	
At 1 April 2010	36,332	43,970	425	(570,587)	-	(489,860)	3,036	(486,824)
Surplus arising from revaluation	-	-	19	-	-	19	-	19
Total comprehensive income for the period	-	-	-	69,730	-	69,730	985	70,715
At 30 September 2010	<u>36,332</u>	<u>43,970</u>	<u>444</u>	<u>(500,857)</u>	<u>-</u>	<u>(420,111)</u>	<u>4,021</u>	<u>(416,090)</u>
At 1 April 2009	36,032	37,934	417	7,933	5,405	87,721	1,524	89,245
Deficit arising from revaluation	-	-	(12)	-	-	(12)	-	(12)
Total comprehensive income for the period	-	-	-	1,856	-	1,856	869	2,725
Final 2009 dividend paid	-	-	-	-	(5,405)	(5,405)	-	(5,405)
Interim dividend (note 7)	-	-	-	(3,603)	-	(3,603)	-	(3,603)
At 30 September 2009	<u>36,032</u>	<u>37,934</u>	<u>405</u>	<u>6,186</u>	<u>-</u>	<u>80,557</u>	<u>2,393</u>	<u>82,950</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	For the six months ended 30 September	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash inflows from operating activities	3,783	3,692
Net cash flows used in investing activities	(60)	(5,835)
Net cash flows used in financing activities	<u>(852)</u>	<u>(5,874)</u>
Net increase/(decrease) in cash and cash equivalents	2,871	(8,017)
Cash and cash equivalents at beginning of period	<u>86,577</u>	<u>41,120</u>
Cash and cash equivalents at end of period	<u>89,448</u>	<u>33,103</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	36,385	22,102
Time deposits	<u>92,114</u>	<u>11,001</u>
Cash and bank balances as stated in the consolidated statement of financial position	128,499	33,103
Time deposits with original maturity of more than three months	<u>(39,051)</u>	<u>—</u>
Cash and cash equivalents as stated in the statement of cash flows	<u>89,448</u>	<u>33,103</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 September 2010

1. ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2010 is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial information are the same as those used in the annual financial statements for the year ended 31 March 2010, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs (<i>issued April 2009</i>)
HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to	Amendment to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a subsidiary</i>
HKFRS 5 included in improvements to HKFRSs issued 1 October 2008	
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s interim financial information.

2. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's business segments for the six months ended 30 September 2010 and 2009.

For the six months ended
30 September 2010

	Restaurant (Unaudited) HK\$'000	Property (Unaudited) HK\$'000	Hotel (Unaudited) HK\$'000	Corporate (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
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
	<u>128,817</u>	<u>9,360</u>	<u>8,919</u>	<u>5,367</u>	<u>152,463</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(12,911)
Elimination of intersegment other income and gains					<u>(1,137)</u>
Total					<u>138,415</u>
Segment results	6,575	570	768	(7,724)	189
<i>Reconciliation:</i>					
Interest income and unallocated gains					138
Imputed interest on convertible bonds					(852)
Fair value gains on derivative financial instruments					<u>71,903</u>
Profit before tax					<u>71,378</u>
Segment assets as at 30 September 2010	49,063	46,018	10,765	107,820	213,666
<i>Reconciliation:</i>					
Corporate and other unallocated assets					<u>1,287</u>
Total assets					<u>214,953</u>

2. OPERATING SEGMENT INFORMATION (continued)

For the six months ended

30 September 2009	Restaurant (Unaudited) HK\$'000	Property (Unaudited) HK\$'000	Hotel (Unaudited) HK\$'000	Corporate (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:					
Sales to external customers	123,027	402	4,418	–	127,847
Intersegment sales	–	8,828	–	3,605	12,433
Other income and gains	565	4,516	120	1	5,202
Intersegment other income and gains	–	–	–	624	624
	123,592	13,746	4,538	4,230	146,106
<i>Reconciliation:</i>					
Elimination of intersegment sales					(12,433)
Elimination of intersegment other income and gains					(624)
Total					<u>133,049</u>
Segment results	6,503	5,008	(2,589)	(5,277)	3,645
<i>Reconciliation:</i>					
Interest income and unallocated gains					25
Imputed interest on convertible bonds					(215)
Profit before tax					<u>3,455</u>
Segment assets					
as at 31 March 2010	42,043	45,768	11,495	109,114	208,420
<i>Reconciliation:</i>					
Corporate and other unallocated assets					<u>1,291</u>
Total assets					<u>209,711</u>

3. FINANCE COSTS

	For the six months ended 30 September	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank loans and overdrafts	–	215
Imputed interest on convertible bonds	852	–
	<u>852</u>	<u>215</u>

4. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Recognition of prepaid land lease payments	50	50
Surplus arising from revaluation of buildings	(15)	(16)
Fair value gains on investment properties	–	(4,500)
	<u>50</u>	<u>(4,466)</u>

5. INCOME TAX 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	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	771	601
Deferred	(108)	129
	<u>663</u>	<u>730</u>
Total tax charge for the period	<u>663</u>	<u>730</u>

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

The calculation of basic earnings per share amounts is based on the unaudited profit for the period attributable to ordinary equity holders of the parent of approximately HK\$69,730,000 (2009: HK\$1,856,000), and the weighted average number of ordinary shares of 363,321,620 (2009: 360,321,620) in issue during the period.

The calculation of diluted earnings per share amounts is based on the unaudited profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the imputed interest on the convertible bonds and fair value gains on derivative financial instruments. 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, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Diluted earnings per share amount for the period ended 30 September 2009 has not been disclosed as no diluting events existed during that period.

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Unaudited profit attributable to ordinary equity holders of the parents, used in the basic earnings per share calculation	69,730	1,856
Imputed interest expense for the period relating to the liability component of the dilutive convertible bonds of the Group	852	–
Less: Fair value gain on the derivative financial instruments	(71,903)	–
Unaudited profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	(1,321)	1,856
	Number of shares	
	30 September	30 September
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	363,321,620	360,321,620
Effect of dilution-weighted average number of ordinary shares:		
Warrants	15,811,993	–
Convertible bonds	76,077,480	–
Forward contract	140,056,714	–
Weighted average number of ordinary shares, used in diluted earnings per share calculation	595,267,807	360,321,620

7. DIVIDEND

The Board has resolved not to declare interim dividend (2009: HK1 cent per ordinary share in issue) in respect of the six months ended 30 September 2010.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$149,000 (2009: HK\$5,859,000) on the acquisition of property, plant and equipment.

9. 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 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within 3 months	<u>1,981</u>	<u>1,359</u>

The Group's trading terms with customers are mainly by cash and credit card settlement, except for certain well-established customers where the terms vary with customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

10. TRADE PAYABLES

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

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within 3 months	<u>6,269</u>	<u>5,964</u>

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

11. 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 statement of comprehensive income.

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

	Liability component 30 September 2010 (Unaudited) HK\$'000	Embedded derivative component 30 September 2010 (Unaudited) HK\$'000
Nominal value of the Convertible Bonds issued as at 1 April 2010	69,201	226,252
Imputed interest expense (<i>note 3</i>)	852	–
Fair value gain on derivative financial instruments	–	(25,598)
	<u>70,053</u>	<u>200,654</u>

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Warrants (a)	76,952	89,618
Embedded derivatives of Convertible Bonds (note 11)	200,654	226,252
Forward contract (b)	253,797	287,436
	531,403	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 period is as follows:

	2010 (Unaudited) HK\$'000
At 31 March 2010	89,618
Fair value gains on warrants	(12,666)
At 30 September 2010	76,952

- (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 30 September 2010, the Company has recognised a derivative financial liability of HK\$253,797,000 (31 March 2010: HK\$287,436,000) in respect of the forward contract.

13. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liability not provided for in these financial statements was as follows:

- (a) The Company provided a guarantee to a third party in connection with rental payments of a subsidiary amounting to approximately HK\$1,128,065 (31 March 2010: HK\$7,008,000).

14. RELATED PARTY TRANSACTIONS

- (a) Transactions with related parties

	<i>Note</i>	For the six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Transactions with a director:			
Rental expenses paid	(i)	<u>36</u>	<u>36</u>

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	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short term employee benefits	1,357	1,117
Post-employment benefits	<u>29</u>	<u>23</u>
Total compensation paid to key management personnel	<u>1,386</u>	<u>1,140</u>

15. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 25 November 2010.

RESULTS

The Group's consolidated revenue for the year ended 30 September 2010 was HK\$137,640,000, representing an increase of HK\$9,793,000 compared to the revenue of HK\$127,847,000 recorded in last year. Consolidated profit for the year attributable to equity holders of the parent was HK\$69,730,000 (2009: profit of HK\$1,856,000). Basic earnings per share was HK19.19 cents (2009: basic earnings per share of HK0.52 cents). The significant profit for the current year was due to the recognition of fair value gains on derivative financial instruments of: (1) the issuance of 72,000,000 warrants on 19 October 2009 (the "Warrants"); (2) the issuance of zero coupon convertible bonds with the principal amount of HK\$80,000,000 on 16 November 2009 (the "Convertible Bonds") and (3) entering into a subscription agreement to issue zero coupon convertible bonds in the principal amount of HK\$200,000,000 on 20 January 2010. The relevant derivative financial liabilities and the related gains on changes in fair value are non-cash in nature. 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 its own shares. In case that the above mentioned derivative financial instrument were not converted and redeemed by the holders of the financial instruments, 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 of such financial liabilities by incurring cash payout or otherwise by using any of its assets. Excluding the fair value profit on these derivatives financial instruments of HK\$71,903,000, the Group would have recorded a loss for the six months of HK\$1,188,000 from its core business for the year ended 30 September 2010. Due to that the fair value result of derivative financial instruments is subject to change of share price, it is accordingly impossible for profits or liabilities of derivative financial instruments to keep from fluctuations.

As disclosed in the announcement dated 8 November 2010, the Group is 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 People's Republic of China ("PRC") whose principal business is 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 is construction and installation of electricity and engineering projects; and (b) a potential grant of options to the potential seller to subscribe for certain shares of the Group (collectively, the "Potential Transactions"). The terms of the Potential Transactions are still subject to negotiations. There is no definite timetable, memorandum of understanding or otherwise agreement (whether binding or non-binding) having been agreed. The Potential Transactions may or may not occur, and timing for completion may be subject to a number of conditions. The Group will update its shareholders in respect of Potential Transactions when appropriate and in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Operations

As Hong Kong's domestic economy continued its growth, the Group recorded a stable improvement in its operating income for the first half of the year, with its overall operation being satisfactory.

The Group's Sunny Day Hotel fully commenced its service in June 2009. As a result of H1N1 flu prevalent in the corresponding period of the previous year, the Group's turnover also achieved a significant upturn in the first half of the year. The hotel is now under smooth operation, with an occupancy rate of 91%.

In the first half of the year, food cost was driven up by the rebound in food price, causing a one percentage decrease in gross profit as compared with that in the previous year, with its overall gross profit margin kept at 66%.

Currently, cash held by the Group is adequate, and hence there is no liquidity problem.

Liquidity and Financial Resources

On 30 September 2010, the Group had cash and cash equivalents of HK\$128,499,000, the most of which were unsecured bank deposit, with their original maturities within three months. In addition, the Group had no mortgage loans (31 March 2010: Nil). The deficiency of assets was HK\$416,090,000 (31 March 2010: deficiency of HK\$486,824,000). The ratio of non-current liabilities to shareholders' equity was -0.17 (31 March 2010: -0.14). The deterioration in the gearing ratio in 2010 was primarily still due to the financial liabilities arising from the above mentioned derivative financial instruments, which will not result in significant cash outflow upon their realisation.

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

Contingent Liabilities

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

Number of Employees and Remuneration Policy

As at 30 September 2010, the Group had 536 employees, the remuneration packages of whom have been reviewed annually with reference to the prevailing market condition.

For the six months period ended 30 September 2010, the Group had no share option scheme for its employees.

OUTLOOK

With the continuous rise in Hong Kong's economy, its per capita income and employment rate improved significantly, which in turn brought about a stronger consumer appetite. Therefore, in addition to promoting its marketing efforts from time to time, the Group will also focus on perfection of value added services provided by its branch stores, in order to boost its external competitiveness, keep its current competition strategy, and secure its leading market position, with a view to lay a solid foundation for future development.

We are fully confident about our hotel operation and expect that this business line will bring in growing profit. Meanwhile, the Group will also monitor market trend with great initiatives, so as to seek any development opportunity that arises from time to time.

OTHER INFORMATION

Directors' Interests and Short Positions in Shares

As at 30 September 2010, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation			
Chan Shu Kit	–	114,240,000		114,240,000	31.44
		(note)			
Kung Wing Yiu	7,802,000	–		7,802,000	2.15

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

Save as disclosed above, as at 30 September 2010, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' and Other Persons' Interests in Shares

As at 30 September 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

(a) *Long positions in ordinary shares of the Company:*

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Hoylake Holdings Limited (<i>note</i>)	Directly beneficially owned	114,240,000	31.44
Ma Lan	Directly beneficially owned	31,910,000	8.78

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

(b) *Long positions in underlying shares of the Company:*

Name	Capacity and nature of interest	Number of underlying shares held	Percentage [†] of the Company's issued share capital
中國核工業建設集團公司 (China Nuclear Construction Group Company*) (note 1)	Directly beneficially owned	400,000,000	52.40
Lee Yu Leung (note 2)	Interest of a controlled corporation	200,000,000	35.50
Project Giant Investments Limited (note 2)	Directly beneficially owned	200,000,000	35.50

Notes:

- Such interests in 400,000,000 underlying shares of the Company are derived from the zero coupon rate unsecured redeemable convertible bonds due 2013 in the principal amount of HK\$200,000,000, which are unlisted and physically settled. 中國核工業建設集團公司 (China Nuclear Construction Group Company*) held interest in these underlying shares and held 100% interests in 中核投資有限公司 (Zhong He Investment Company Limited*) which in turns holds 100% interests in 中核投資 (香港) 有限公司 (China He Investment (Hong Kong) Company Limited*).
 - Such interests in 200,000,000 underlying shares of the Company are derived from the zero coupon rate unsecured redeemable convertible bonds due 2012 in the principal amount of HK\$80,000,000, which are unlisted and physically settled. Lee Yu Leung is deemed to be interested in these underlying shares by virtue of his 100% interests in Project Giant Investments Limited.
- [†] The percentage represents the number of underlying shares held/interested divided by the number of the Company's issued shares as enlarged by the underlying shares as at 30 September 2010.

Save as disclosed above, as at 30 September 2010, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests and short positions in shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2010.

Corporate Governance

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report for the six months ended 30 September 2010, except for the deviation as mentioned below.

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

Model Code for Securities Transactions

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

Audit Committee

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members, namely Mr. Kung Fan Cheong, Mr. Chan Ka Ling, Edmond and Mr. Lo Kin Cheung, all are independent non-executive directors of the Company. The unaudited interim report for the six months ended 30 September 2010 has been reviewed by the Audit Committee.

For and on behalf of the Board
Tack Hsin Holdings Limited
(德興集團有限公司)*
Chan Shu Kit
Chairman

Hong Kong, 25 November 2010

* *For identification purposes only*