



# REPORT ON CORPORATE GOVERNANCE

The Directors and Management of the Company are committed to maintain a high standard of corporate governance and transparency in order to protect the interests of the shareholders of the Company. Processes and procedures have been instituted and are being constantly reviewed and revised to ensure effective corporate governance.

## BOARD OF DIRECTORS

### Principle 1: Board's Conduct of Its Affairs

### Principle 2: Board Composition and Balance

The Board currently comprises six members, two of whom are independent non-executive directors. The Board derives its strength from the background, diversity, skills and experiences of the Board Members who are qualified professionals holding key management positions and/or directorships in other companies listed in Singapore and overseas.

The Board supervises the management of the business and affairs of the Company and the Group. Apart from its fiduciary duties and statutory responsibilities, the Board approves the Company's strategic plans, key operational initiatives, major investments, capital expenditure and funding decisions. The Board regularly reviews business plans and the financial performance of the Company and the Group.

The Board recognises its responsibilities for the maintenance of a sound system of internal controls, covering not only financial controls but also operational and compliance controls including risk management to safeguard the shareholders' investments and the Group's assets. The Board is continuously looking into the adequacy and improvement of its system of internal controls.

The Board meets at least twice a year and as warranted by circumstances. The Company's Bye-laws allow Board meetings to be held by means of telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. Two meetings were conducted during the year and the attendance of the directors at the meetings was as follows: -

Name of Directors	No. of Meetings held	No of Meetings attended
Wong Tat Tong (Chairman)	2	2
Wong Tat Pui	2	2
Chan Chung Yee	2	2
Ching Kim Seung	2	2
Chan Chi Chung	2	2
Tan Kay Hock	2	2

To assist in the execution of its responsibilities, the Board has established a number of Committees including an Audit Committee, a Share Option Scheme Committee, a Nominating Committee and a Remuneration Committee.

Appropriate orientation briefing is given to incoming Directors to ensure that they are familiar with the Company's business and governance practices. The Directors also received the relevant updates and briefings from management and outside professionals on relevant new laws, regulations and changing commercial risks, from time to time. The Board is of the view that there exists a sufficiently strong element on the Board to enable independent exercise of objective judgement of corporate affairs of the Group by members of the Board, taking into account factors such as the number of non-executive and independent directors on the Board, as well as the size and scope of the affairs and operations of the Group.

The composition of the Board is reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Board in consultation with the Nominating Committee has reviewed its composition and is satisfied that, while not in strict compliance with the Code of Corporate Governance, such composition is appropriate and effective in decision making except that an additional independent non-executive director will be appointed during the financial year 2004. The Nominating Committee is in the process of finalizing the terms of appointment with a potential candidate and would make recommendation to the Board in due course. The Nominating Committee is also satisfied that Mr. Chan Chi Chung and Mr. Tan Kay Hock can be considered as independent directors. Both the Independent Directors do not have any relationship with the Company or its subsidiaries.

# REPORT ON CORPORATE GOVERNANCE

## Principle 3: Role of Chairman and Chief Executive Officer (“CEO”)

Currently, Mr. Wong Tat Tong serves as both the Chairman of the Board and the CEO of the Company because the current scale of its business does not warrant such a division. Assisted by the Company Secretary and the Executive Director & Financial Controller, his duties are to schedule meetings that enable the Board to perform its duties responsibly, preparing meeting agenda, exercise control over quality, quantity and timeliness of the flow of information between Management and the Board, and assisting in ensuring compliance with the Company’s guidelines on corporate governance. He is being assisted by a group of Executive Directors and Executive Officers in carrying out his executive duties and responsibility for the Group’s operations and business.

## BOARD COMMITTEES

### Nominating Committee

#### Principle 4: Board Membership

#### Principle 5: Board Performance

The Nominating Committee was formed on 18 March 2003 with a composition of three members, of whom two are independent non-executive directors. The Nominating Committee reviews and assesses candidates for directorships (including executive directorships) before recommendation to the Board for appointment with a view to ensuring that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and ability. The responsibility of the Nominating Committee also includes deciding how the Board’s performance may be evaluated and proposal of objective performance criteria for the Board’s approval.

Subsequent to the year-end, the Nominating Committee held a meeting and the attendance was as follows: -

Name of Directors	Appointment	Number of meetings held	Attendance
Tan Kay Hock (Committee Chairman)	Independent	1	1
Chan Chi Chung	Independent	1	1
Wong Tat Tong	Executive Director	1	1

At the said meeting, the Nominating Committee considered the re-nomination of directors who are due for retirement at the forthcoming Annual General Meeting. Informal reviews of the Board’s performance were undertaken with inputs from the other Board members and the Executive Chairman.

The Directors due for retirement at the forthcoming Annual General Meeting are Mr Wong Tat Pui and Mr Chan Chi Chung. The Nominating Committee recommends to the Board and shareholders, the re-nomination of Mr Wong Tat Pui and Mr Chan Chi Chung as Directors after taking into account their contributions and performance.

Key information regarding the Board of Directors are indicated under the “Board of Directors” section of the Annual Report. The information of Mr Wong Tat Pui and Mr Chan Chi Chung, the Directors due for re-election at this Annual General Meeting are on pages 14 and 15 of the Annual Report.

## Principle 6: Access to Information

Board members are provided with adequate and timely information prior to board meetings, and on an on-going basis, and have separate and independent access to the Company’s senior management.

The Directors have separate and independent access to the Company Secretary. The Company Secretary will be requested to attend the Board meetings as and when necessary to attend to matters of special note or importance. In the absence of the Company Secretary, the Directors may appoint one of their members or a management staff to take down the minutes of the meetings. The Company Secretary ensures that board procedures are followed and applicable rules and regulations are complied with. Where the members of the Board, whether individually or as a group, need independent professional advice, the Company will appoint a professional advisor to render such advice. The costs associated with such professional services will be borne by the Company.

# REPORT ON CORPORATE GOVERNANCE

## Remuneration Committee

### Principle 7: Procedures for Developing Remuneration Policies

### Principle 8: Level and Mix of Remuneration

### Principle 9: Disclosure on Remuneration

The Remuneration Committee was established on 18 March 2003 and comprises three members, of whom two are independent non-executive directors. The role of the Remuneration Committee is to review and recommend to the Board, an appropriate and competitive framework of remuneration for the Board, key executives and the Group. It meets at least once a year and as warranted by particular circumstances.

Subsequent to the year-end, the Remuneration Committee held a meeting and the attendance was as follows: -

Name of Directors	Appointment	Number of meetings held	Attendance
Chan Chi Chung(Committee Chairman)	Independent	1	1
Tan Kay Hock	Independent	1	1
Ching Kim Seung	Executive Director	1	1

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual directors.

The independent directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, retain and motivate the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The key executive directors do not receive directors' fee. The remuneration for the executive directors and the key senior executives comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

The annual reviews of the compensation of directors are carried out by the Remuneration Committee to ensure that the remuneration of the executive directors and senior management is commensurate with their performance, giving due regard to the financial and commercial health and the business needs of the Group. The performance of the CEO together with other senior executives is reviewed periodically by the Remuneration Committee and the full Board.

## Disclosure on Remuneration

### Directors' Remuneration

Remuneration band and name of director	Salary		Bonus		Director's fee	
	2003	2002	2003	2002	2003	2002
< S\$250,000						
Wong Tat Pui	80%	81%	20%	19%	-	-
Chan Chi Chung	-	-	-	-	100%	100%
Tan Kay Hock	-	-	-	-	100%	100%
S\$250,000 - S\$499,999						
Chan Chung Yee	84%	85%	16%	15%	-	-
Ching Kim Seung	84%	85%	16%	15%	-	-
S\$500,000 – S\$1,370,000						
Wong Tat Tong	68%	70%	32%	30%	-	-

Directors' interest in share options are disclosed in the Directors' Report on page 29.

# REPORT ON CORPORATE GOVERNANCE

## Remuneration of top 5 Key Executives (who are not directors)

Remuneration band and name of key executives	Salary		Commission		Bonus	
	2003	2002	2003	2002	2003	2002
< S\$250,000						
Lai Tak Ning	100%	100%	-	-	-	-
Lo Kam Shing	100%	-	-	-	-	-
Suen Wing Yip	83%	-	-	-	17%	-
Tsim Man Lam	95%	100%	-	-	5%	-
Wong Kam Wing	63%	65%	25%	24%	12%	11%

## Remuneration of Employees who are Immediate Family Members of a Director

Remuneration band and name of related person	Salary		Bonus	
	2003	2002	2003	2002
< S\$250,000				
Wong Hoi Thung, Angela	77%	79%	23%	21%

Ms Wong Hoi Thung, Angela is the sister of Messrs Wong Tat Tong and Wong Tat Pui.

## Information on Key Management Staff

**Lai Tak Ning**, who joined the Group on 2 October 2002 and resigned on 17 January 2004, was our General Manager – PRC and in charge of the business of our subsidiary, TW Zhuhai. In 1990, he was employed as a Director & Controller in Holetin Building Products (Mgt.) Pty. Ltd. – Sydney and then started working in the hotel industry in 1992 till 1997. Prior to joining the Group, he was a controller of ZFTB, a manufacturer of aluminum cans for soft drinks in Zhuhai for 3 years. Mr. Lai graduated from the then Hong Kong Polytechnic with a Higher Diploma in Accountancy.

**Lo Kam Shing** is our General Manager – Café Chain. He is now in charge of the entire operations of our Group's café business both in Shanghai and in Hong Kong. He has over 15 years' management experience in the food & beverage industry. Before Mr. Lo joined our Group in April 2003, he was a General Manager of Ominlink Management Ltd and was fully responsible for the development and running of two Italian restaurants in Hong Kong and two Western restaurants in Shanghai. Mr. Lo holds a Degree in Business Administration from Northeastern University in Boston.

**Suen Wing Yip** is our General Manager – Hong Kong. He is now responsible for managing the entire operations of our Group in Hong Kong except the café business as well as the finance and purchasing functions. Prior to joining our Group in July 2003, he worked for more than 13 years in the Mountain Cream Hong Kong, a subsidiary of A.S. Watson & Co., Ltd. and his last position was as a Director & General Manager. In 1999, he joined the Ice Cream Division of Unilever Hong Kong Limited as a Director & General Manager and became the Managing Director – Hong Kong of Ice Cream and Frozen Food Division until he left the company in 2003. Mr. Suen was conferred with a Degree in Business Administration by the Washington State University, USA and graduated with a MBA degree from the University of Wisconsin, USA.

**Tsim Man Lam** is our General Manager – Australia. He joined us in January 2000 after working in the area of business development in Hong Kong and China for over 25 years. He is now responsible for the strategic and business development of our operations in Australia as well as the exploring of opportunities for export to other Asian countries. Mr. Tsim holds a Master of Business Administration degree from the Newport University in California.

**Wong Kam Wing** is our Senior Sales Manager of the Catering division. Mr Wong has been with our Group for 37 years. He started out as a sales representative and gained several promotions to his present position. He possesses extensive sales experience particularly in the Hong Kong catering supply market. He oversees all the catering sales activities in Hong Kong and is responsible for the formulation of promotional strategies and action plans to accomplish the annual sales target.

# REPORT ON CORPORATE GOVERNANCE

**Wong Hoi Thung, Angela** is our General Manager - Canada and has been responsible for the development and operation of our business in Canada since 1993. Before her immigration to Canada, she was employed by Drake Personnel Consultant Agency as a personnel consultant from 1985 to 1988 and worked as a confidential secretary in KPMG Peat Marwick, Hong Kong from 1988 to 1992.

## **The Share Option Scheme Committee**

The Share Option Scheme Committee was established to administer the “Tsit Wing Employees’ Share Option Scheme 2001” (the “Option Scheme”) in accordance with the objectives and regulations of the Option Scheme and to determine participation eligibility, options offers and shares allocation and to attend to such other matters that may be required. The members of the Committee are Mr. Wong Tat Tong (Chairman), Mr. Chan Chi Chung and Mr. Tan Kay Hock.

For details of the share options granted during the year, please refer to the Directors’ Report on page 28.

The Board is of the opinion that for the time being it is not necessary for the policy in remuneration to be approved at an annual general meeting.

## **Principle 10: Accountability and Audit**

The Board accepts that it is accountable to the shareholders while the Management is accountable to the Board. Management provides all members of the Board with a balanced and understandable management accounts of the company’s performance, position and prospects on a monthly basis. The Board provides the shareholders with a balanced and understandable assessment of the Company’s performance, position and prospects on a quarterly basis. Such responsibility is extended to interim and other price sensitive public reports and reports to regulators (if required).

## **Audit Committee**

### **Principle 11: Audit Committee**

Currently, the Audit Committee is comprised of Mr Chan Chi Chung (Committee Chairman), Mr Tan Kay Hock and Ms Ching Kim Seung whilst Mr. Chan Chi Chung and Mr. Tan Kay Hock are independent non-executive directors.

The number of meetings held and attendance at the meetings during the year were as follows: -

<b>Name of Directors</b>	<b>Number of meetings held</b>	<b>Number of meeting attended</b>
Chan Chi Chung(Committee Chairman)	2	2
Tan Kay Hock	2	2
Ching Kim Seung	2	2

The Audit Committee is empowered to investigate any matter relating to the Group’s accounting, auditing, internal controls and/or financial practices brought to its attention, with full access to records, resources and personnel, to enable it to discharge its functions properly.

During the financial year, the Audit Committee met with the external auditors without the presence of the Management and reviewed the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the external auditors. The Audit Committee has also conducted regular reviews of the volume, nature and extent of non-audit services supplied by the external auditors to the Company in order to balance the maintenance of objectivity and value for money. The Audit Committee has full access to and cooperation of Management, and has full discretion to invite any director and executive officer to attend its meetings.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and recommends to the Board of Directors, the nomination of the external auditors.

The Audit Committee performs the following functions: -

- 1) review the annual and interim financial statements of the Company and the Group before submission to the Board for adoption
- 2) review with the internal and external auditors, their audit plans and audit reports



# REPORT ON CORPORATE GOVERNANCE

- 3) review the cooperation given by the Company's officers to the internal and external auditors
- 4) review the scope and results of the internal audit procedures
- 5) nominate and review the appointment or re-appointment of external auditors; and
- 6) review interested person transactions

In the opinion of the Directors, the Company is in compliance with SGX's Code of Corporate Governance on Audit Committees except that another independent director with accountancy background should be appointed to replace Ms Ching Kim Seung, who is an executive director of the Company, as Audit Committee Member during the year of 2004.

## **Principle 12: Internal Controls**

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard shareholders' interests and maintain accountability of its assets. While no cost-effective internal control system can provide absolute assurance against loss or misstatement, the Group's internal controls and systems have been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably protected, proper accounting records are maintained and financial information used within the business and for publication are reasonable and accurate. There is a clearly defined delegation of authority from the Board to the operating companies and procedures are in place for the proper authorization of transactions.

During the financial year, the Audit Committee, on behalf of the Board, has reviewed the effectiveness of the various systems put in place by Management and is satisfied that there are adequate internal controls in the Company.

## **Principle 13: Internal Audit**

The Internal Audit Department was formally established in October 2003 to assume the internal audit function of the Group. The internal auditor plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the Audit Committee for approval prior to the commencement of the audit. The Audit Committee reviews the activities of the internal auditors on a regular basis, include overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

## **Principle 14: Communication with Shareholders**

### **Principle 15: Greater shareholder participation**

The Company engages in regular, effective and fair communications with shareholders. The Board strives for timeliness and transparency, in its disclosures to shareholders and the public. Regular meetings are held with investors, analysts, fund managers and the press. The Group also has a corporate website ([www.twcoffee.com](http://www.twcoffee.com)) where shareholders and members of the public are able to access up-to-date corporate information and new events related to the Group.

The Annual General Meeting of the Company also represents the principal forum for dialogue and interaction with all shareholders. At each Annual General Meeting, the Board invites and allocates sufficient time for shareholders to participate in the question and answer session. Directors, the Chairman of the Audit Committee and the Group's external auditors are available to respond to shareholders' questions during the Annual General Meeting.

## **Code of Business Conduct**

The directors, officers and employees are required to observe and maintain high standards of integrity, as are in compliance with the law and the regulations and company policies.

## **Dealings in Securities**

The directors of the company have adopted a Code of Best Practice on Securities Transactions by Officers to govern the dealings in securities by the directors and officers of the group, which is modelled on the Best Practices Guide introduced by the SGX-ST.

In line with the Best Practices Guide, the Company issues circulars to its directors, officers and employees of the Group that there must be no dealings in the listed securities of the Group, one month before the release of the quarterly, half-yearly and full year financial results, and if they are in possession of any unpublished material price sensitive information. All directors, officers and managers are also required to file with the Company regular reports on all their dealings in the listed securities of the Group during the financial year.



# REPORT ON CORPORATE GOVERNANCE

## Best Practices Guide

In the opinion of the Directors, the Company has complied with the Best Practices Guide on Dealings in Securities issued by the SGX-ST.

## Interested Person Transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000/- and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000/-)	Nature of transaction
Telenice Company Limited	HK\$828,000.00 (equivalent to S\$190,800 approximately)	NIL	Rental Fee
Great Joy International Development Limited	HK\$700,000.00 (equivalent to S\$161,300 approximately)	NIL	Consultancy Fee

## Other Information

No material contracts to which the Company or any related company is a party which involve the interest of the directors or controlling shareholders subsisted at, or have been entered into since the previous financial year.

# REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company and the consolidated financial statements of the Group for the financial year ended December 31, 2003.

## 1 DIRECTORS

The directors of the Company in office at the date of this report are:

Mr Wong Tat Tong @ Wong Tak Tong  
 Mr Wong Tat Pui  
 Ms Chan Chung Yee  
 Ms Ching Kim Seung  
 Mr Chan Chi Chung  
 Mr Tan Kay Hock

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the share option schemes mentioned below.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital of the Company and related corporations except as follows:

Name of directors and company in which interests are held	Shareholdings registered in the name of the director		Shareholdings in which director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
<u>The Company</u>				
<u>- Ordinary shares of HK\$0.25 each</u>				
Wong Tat Tong @ Wong Tak Tong	–	–	81,133,826*	81,133,826*
Wong Tat Pui	–	–	114,561,152*	114,561,152*
<u>The Company</u>				
<u>- Options to subscribe for ordinary shares of HK\$0.25 each</u>				
Chan Chung Yee	130,000	330,000	–	–
Ching Kim Seung	130,000	330,000	–	–
Chan Chi Chung	–	200,000	–	–
Tan Kay Hock	–	200,000	–	–

\* Wong Tat Tong and Wong Tat Pui were deemed to have an interest in 81,133,826 ordinary shares of the Company as both are deemed to have interest, by virtue of the interests of members of their immediate families, in the capital of Wong's Brothers Consortium Inc, a company incorporated under the laws of British Virgin Islands ("BVI") which held these ordinary shares in trust. In addition to this, Wong Tat Pui was deemed to have a further interest in 33,427,326 ordinary shares of the Company, as he is one of the beneficiaries of the ultimate shareholder of Snappy Performance Ltd. Snappy Performance Ltd. is also a company incorporated under the laws of BVI, which held the ordinary shares of the Company in trust.

The directors' interests as at January 21, 2004 were the same as those at the end of the financial year.

# REPORT OF THE DIRECTORS

## 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

## 5 OPTIONS TO TAKE UP UNISSUED SHARES

On November 29, 2001, the shareholders at a Special General Meeting approved an employee share option scheme known as the "Tsit Wing Employees' Share Option Scheme 2001" (the "Option Scheme"), to grant share options to eligible employees, including the executive and non-executive directors of the Company and its subsidiaries. However, qualified persons who are also the Company's controlling shareholders or their associates may not participate in the Option Scheme. The options grant the right to the holder to subscribe for new ordinary shares of the Company at a discount to the market price of the share (subject to a maximum limit of 20%) or at a price equal to the average of the closing prices of the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") on the five trading days immediately preceding the date of the grant of the option.

The Option Scheme is administered by the Share Option Scheme Committee, which comprises the following three directors:

Mr. Wong Tat Tong (Chairman)  
Mr. Chan Chi Chung  
Mr. Tan Kay Hock

This Committee has been authorised to determine the terms and conditions of the grant of the options.

During the financial year, in consideration of the payment of HK\$1.00 for each offer accepted, offers of options were granted pursuant to the "Tsit Wing Employees' Share Option Scheme 2001" (the "Option Scheme") in respect of:

- (i) 800,000 unissued ordinary shares of HK\$0.25 each in the capital of the Company at an exercise price of S\$0.258 per share which represented a 20% discount on the average of the last dealt price for the shares on the SGX-ST for the five consecutive market days immediately preceding the date of grant; and
- (ii) 60,000 unissued ordinary shares of HK\$0.25 each in the capital of the Company at an exercise price of S\$0.300 per share which represented a 20% discount on the average of the last dealt price for the shares on the SGX-ST for the five consecutive market days immediately preceding the date of grant.

Under the Option Scheme, share options granted, exercised and cancelled during the financial year and outstanding as at end of the financial year were as follows:

Date of grant	Number of share options				Balance at end of year	Exercise price per share	Exercise Period
	Balance at beginning of year	Granted during the year	Exercised	Cancelled			
October 2, 2002	360,000	–	–	–	360,000	S\$0.231	October 2, 2004 to October 1, 2014
June 17, 2003	–	800,000	–	–	800,000	S\$0.258	June 17, 2005 to June 16, 2015
December 5, 2003	–	60,000	–	–	60,000	S\$0.300	December 5, 2005 to December 4, 2015

# REPORT OF THE DIRECTORS

During the financial year, the following options in respect of unissued ordinary shares in the Company were granted, accepted and exercised by the following full time employees of the Group, under the option scheme:

Ordinary shares at HK\$0.25 each	Share options granted		Share options exercised	
	No. of employees	No. of options	No. of employees	No. of options
Directors	4	800,000	–	–
Non-director	1	60,000	–	–

The details of share options granted under the Option Scheme to the directors of the Company are as follows:

Name	Number of share options			
	Options granted during the year	Aggregate options granted since commencement of scheme up to December 31, 2003	Aggregate options exercised since commencement of scheme up to December 31, 2003	Aggregate options outstanding as at end of year
Ms Chan Chung Yee	200,000	330,000	–	330,000
Ms Ching Kim Seung	200,000	330,000	–	330,000
Mr. Chan Chi Chung	200,000	200,000	–	200,000
Mr. Tan Kay Hock	200,000	200,000	–	200,000
	800,000	1,060,000	–	1,060,000

Each option grants the holder the right to subscribe for one ordinary share of HK\$0.25 each in the Company. The options may be exercised in full or in part thereof. The holders do not have the right to participate by virtue of the options in any share issue of the other companies in the Group. Options granted are cancelled when the holder is no longer a full-time employee of the Company or any corporations in the Group subject to certain exceptions at the discretion of the Company.

There were no participants to the Option Scheme who are controlling shareholders of the Company or their associates. No participants to the Option Scheme received options, which represents 5% or more of the total number of shares available under the Option Scheme.

Other than disclosed above, there were no options granted by the Company to any person to take up unissued shares of the Company or any corporations in the Group during the financial year.

## 6 OPTIONS EXERCISED

During the financial year, there were no shares of the Company or any corporations in the Group issued by virtue of the exercise of an option to take up unissued shares.

## 7 UNISSUED SHARES UNDER OPTION

At the end of financial year, there were no unissued shares of the Company or any corporations in the Group under option, except for the share option scheme disclosed above.



# REPORT OF THE DIRECTORS

## 8 AUDIT COMMITTEE

At the date of this report, the Audit Committee comprises the following members:

Mr Chan Chi Chung	Chairman and Independent Director
Mr Tan Kay Hock	Member and Independent Director
Ms Ching Kim Seung	Member and Executive Director

The Audit Committee performs the following functions:

1. review the annual and interim financial statements of the company and the group before submission to the Board for adoption;
2. review with the internal and external auditors their audit plans and audit reports;
3. review the cooperation given by the company's officers to the external auditor;
4. nominate and review the appointment or re-appointment of external auditors; and
5. review interested persons transactions.

The Audit Committee is empowered to investigate any matter relating to the group's accounting, auditing, internal controls and/or financial practices brought to its attention, with full access to records, resources and personnel, to enable it to discharge its functions properly.

During the financial year, the Audit Committee met with the external auditors and reviewed the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the external auditors. The Audit Committee has also conducted regular reviews of the volume, nature and extent of non-audit services supplied by the external auditors to the company in order to balance the maintenance of objectivity and value for money. The Audit Committee has full access to and cooperation of management, and has full discretion to invite any director and executive officer to attend its meetings.

The Audit Committee had nominated Deloitte & Touche for re-appointment as external auditors of the Company at the forthcoming annual general meeting.

## 9 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

**Wong Tat Tong @ Wong Tak Tong**  
Chairman and Managing Director

**Wong Tat Pui**  
Director

Hong Kong  
March 1, 2004



# AUDITORS' REPORT

## TO THE MEMBERS OF TSIT WING INTERNATIONAL HOLDINGS LIMITED

We have audited the accompanying financial statements of Tsit Wing International Holdings Limited set out on pages 32 to 54 for the financial year ended December 31, 2003. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards ("FRS") so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2003 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

**Deloitte & Touche**  
Certified Public Accountants

**William Lim Choon Hock**  
Partner

Singapore  
March 1, 2004

# BALANCE SHEETS

December 31, 2003

	Note	Group		Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash		71,792	88,965	13,528	34,577
Other investments	12	2,639	–	–	–
Trade receivables	6	37,364	34,222	–	–
Other receivables and prepayments	7	6,047	6,852	2,773	2,513
Inventories	8	33,469	38,846	–	–
Total current assets		151,311	168,885	16,301	37,090
<b>Non-current assets:</b>					
Subsidiaries	9	–	–	123,002	96,915
Property, plant and equipment	10	36,610	34,285	–	–
Deposits paid for acquisition of property, plant and equipment	11	835	206	–	–
Other investments	12	37,563	–	–	–
Deferred tax assets	16	115	–	–	–
Total non-current assets		75,123	34,491	123,002	96,915
<b>Total assets</b>		<b>226,434</b>	<b>203,376</b>	<b>139,303</b>	<b>134,005</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities:</b>					
Trust receipts	13	6,480	3,631	–	–
Trade payables	14	20,828	21,279	–	–
Other payables	15	10,030	13,013	2,888	2,615
Income tax payable		3,140	2,192	239	126
Total current liabilities		40,478	40,115	3,127	2,741
<b>Non-current liabilities:</b>					
Deferred tax liabilities	16	2,191	1,614	–	–
<b>Minority interests</b>					
		6,987	8,489	–	–
<b>Capital and reserves:</b>					
Issued capital	17	40,000	40,000	40,000	40,000
Share premium		28,225	28,225	28,225	28,225
Contributed surplus		48,563	48,563	48,563	48,563
Translation reserve		(533)	42	–	–
Accumulated profits		60,523	36,328	19,388	14,476
Total equity		176,778	153,158	136,176	131,264
<b>Total liabilities and equity</b>		<b>226,434</b>	<b>203,376</b>	<b>139,303</b>	<b>134,005</b>

See accompanying notes to financial statements.

# CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended December 31, 2003

	Note	Group	
		2003 HK\$'000	2002 HK\$'000
<b>Revenue</b>	18	268,964	270,970
<b>Cost of sales</b>		(136,571)	(137,185)
<b>Gross profit</b>		132,393	133,785
Other operating income	19	1,632	1,280
Distribution costs		(44,976)	(50,174)
Administrative expenses		(42,297)	(39,059)
Other operating expenses	20	–	(4,563)
<b>Profit from operations</b>	21	46,752	41,269
Finance cost	22	(213)	(317)
<b>Profit before income tax</b>		46,539	40,952
Income tax expense	23	(9,446)	(8,643)
<b>Profit after income tax</b>		37,093	32,309
Minority interests		1,502	2,784
<b>Profit attributable to shareholders</b>		38,595	35,093
Earnings per share (HK cents)	24		
Basic		24.12	21.93
Diluted		24.09	21.93
Dividend per share (HK cents)	31		
Interim dividend paid		3.5	2.5
Proposed final dividends		7.5	5.5

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2003

	Issued capital	Share premium	Contributed surplus (a)	Translation reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Group</u>						
Balance at December 31, 2001	40,000	28,225	48,563	149	17,235	134,172
Currency translation differences	–	–	–	(107)	–	(107)
Net profit for the year	–	–	–	–	35,093	35,093
Dividend paid (Note 31)	–	–	–	–	(16,000)	(16,000)
Balance at December 31, 2002	40,000	28,225	48,563	42	36,328	153,158
Currency translation differences	–	–	–	(575)	–	(575)
Net profit for the year	–	–	–	–	38,595	38,595
Dividend paid (Note 31)	–	–	–	–	(14,400)	(14,400)
Balance at December 31, 2003	40,000	28,225	48,563	(533)	60,523	176,778

	Issued capital	Share premium	Contributed surplus (a)	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Company</u>					
Balance at December 31, 2001	40,000	28,225	48,563	12,084	128,872
Net profit for the year	–	–	–	18,392	18,392
Dividend paid (Note 31)	–	–	–	(16,000)	(16,000)
Balance at December 31, 2002	40,000	28,225	48,563	14,476	131,264
Net profit for the year	–	–	–	19,312	19,312
Dividend paid (Note 31)	–	–	–	(14,400)	(14,400)
Balance at December 31, 2003	40,000	28,225	48,563	19,388	136,176

- (a) Contributed surplus represents the difference between the underlying net tangible assets of the subsidiaries, which were acquired by the Company at the date of a group re-organisation pursuant to which the Company became the holding company of the Group (the "Restructuring Exercise") and the nominal amount of the shares issued by the Company under the Restructuring Exercise in 2001.

See accompanying notes to financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2003

	2003	Group	2002
	HK\$'000		HK\$'000
<b>Cash flows from operating activities:</b>			
Profit before income tax	46,539		40,952
Adjustments for:			
Depreciation expense	6,362		6,618
Interest expense	213		317
Allowance for inventories	592		552
Allowance for doubtful trade receivables	1,722		1,716
Provision for land deposit	–		2,500
Impairment loss on property, plant and equipment	–		1,029
Loss on disposal of plant and equipment	26		18
Interest income	(1,632)		(1,280)
Operating profit before working capital changes	53,822		52,422
Increase in trade receivables	(4,864)		(556)
Decrease (Increase) in other receivables and prepayments	805		(1,773)
Decrease in inventories	6,003		7,865
(Decrease) Increase in trade payables	(451)		3,705
(Decrease) Increase in other payables	(2,983)		417
Cash generated from operations	52,332		62,080
Dividend paid	(14,400)		(16,000)
Interest paid	(213)		(317)
Interest received	1,632		1,280
Income tax paid	(8,119)		(7,968)
Net cash from operating activities	31,232		39,075
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	(9,756)		(10,165)
Deposits paid for acquisition of property, plant and equipment	(711)		–
Proceeds from disposal of property, plant and equipment	71		118
Other investments (note 12)	(40,202)		–
Net cash used in investing activities	(50,598)		(10,047)
<b>Cash flows from financing activities:</b>			
Proceeds from trust receipts	44,340		39,536
Repayment of trust receipts	(41,491)		(41,280)
Net cash from (used in) financing activities	2,849		(1,744)
Net effect of exchange rate changes in consolidating subsidiaries	(656)		(122)
Net (decrease) increase in cash	(17,173)		27,162
Cash at beginning of the year	88,965		61,803
<b>Cash at end of the year</b>	<b>71,792</b>		<b>88,965</b>

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 1 GENERAL

The Company was incorporated in Bermuda on June 13, 2000 as an exempt company with limited liability under the Companies Act 1981 of Bermuda with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business is at Flats F-J 11/F Block 1, Kwai Tak Industrial Centre, Kwai Tak Street, Kwai Chung, New Territories, Hong Kong. The financial statements are expressed in Hong Kong dollars.

The principal activities of the Company are those of an investment holding company.

The principal activities of the subsidiaries are described in Note 9.

The financial statements of the Company and the consolidated financial statements of the Group for the year ended December 31, 2003 were authorised for issue by the Board of Directors on March 1, 2004.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements are prepared in accordance with the historical cost convention and are drawn up in accordance with Singapore Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS").

The Company and the Group have adopted all the applicable new/revised FRS and INT FRS which became effective during the financial year. The adoption of the new FRS and INT FRS does not affect the results of the Company and of the Group for the current or prior periods.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the company (its subsidiaries) made up to December 31 each year. Control is achieved when the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisitions. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

In the financial statements of the Company investment in subsidiaries is carried at cost, less any impairment in net recoverable value that has been recognised in the profit and loss statement.

**FINANCIAL ASSETS** - Financial assets include cash and bank balances, trade and other receivables and investments. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Other investments are stated on the basis described in their respective accounting policies.

**FINANCIAL LIABILITIES AND EQUITY** - Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include trade, other payables and bank loans. Trade and other payables are stated at their nominal value. Bank loans are recorded at the proceeds received, net of transaction costs. Finance costs are accounted for on an accrual basis (effective yield method) and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Equity instruments are recorded at the fair value of the consideration received, net of direct issue costs.

**INVENTORIES** - Inventories comprising raw materials, work-in-progress and finished goods are measured at the lower of cost (weighted average method) and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**PROPERTY, PLANT AND EQUIPMENT** - Property, plant and equipment are carried at cost less accumulated depreciation and any impairment loss where the recoverable amount of the cost is estimated to be lower than its carrying amount.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

Depreciation is charged so as to write off the cost of assets, other than freehold land and construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land	Over the unexpired term of the lease
Buildings	4%
Plant and machinery	8 <sup>1</sup> / <sub>3</sub> % to 20%
Furniture, fixtures and equipment	20%
Computer equipment	20%
Motor vehicles	20%

Depreciation is not provided on freehold land and construction-in-progress.

Fully depreciated assets still in use are retained in the financial statements.

**OTHER INVESTMENTS** – Investments held for long term are stated at cost less any impairment in net recoverable value. Investments held for short-term are stated at the lower of cost or market value determined on a portfolio basis.

**IMPAIRMENT OF ASSETS** - At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

**PROVISIONS** - Provisions are recognised when the Group has a present obligation as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

**REVENUE RECOGNITION** - Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction (including future costs) can be measured reliably. Dividend income from investments is recognised when the shareholders' right to receive the payment is established.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes) are charged as an expense when incurred.

**INCOME TAX** - Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, except that a debit to the deferred tax balance is not carried forward unless there is a reasonable expectation of realisation.

Deferred tax is charged or credited to the profit and loss statement. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statement.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

For inclusion in the consolidated financial statements, assets and liabilities of the foreign entities are translated at the rates of exchange approximating those ruling at the balance sheet date. The profit and loss statements are translated at the average rates of exchange for the year, and the opening net investment in the foreign entities at the historical rates. The resulting currency translation differences are taken to the currency translation reserve. On disposal of a foreign entity, the accumulated currency translation differences are recognised in the profit and loss statement as part of the profit or loss on disposal.

## 3 FINANCIAL RISKS AND MANAGEMENT

### i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial losses from defaults. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

### ii) Significant concentrations of credit risk

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affects a group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. Although the Group's credit exposure is concentrated mainly in Hong Kong and the People's Republic of China, the Group's policy does not permit non-secured credit risks to be significantly centralized in one customer or group of customers.

No customer accounted for 5% or more of the Group's revenue for 2003 except one customer which accounted for 6.2% of the Group's revenue (2002 : 6.7%). The failure of the Group's customers to make required payments will not have significant impact on the revenue and profits of the Group as the customers are mainly individual Hong Kong style tea bistros whose annual purchases from the Group do not constitute a significant percentage of the total revenue.

### iii) Interest rate risk

The interest rates of the unquoted investments and trust receipt loans of the Group are disclosed in Note 12 and 13 to the financial statements respectively.

### iv) Currency risk

The Group's foreign currency exposures arose mainly from the exchange rate movements of the United States dollar, the Renminbi and the Hong Kong dollar, which is also the Group's reporting currency. To the extent that the Group's sales and purchases are not matched in the same currency, the Group could be exposed to currency fluctuation of the United States dollar and Renminbi against the Hong Kong dollar. Currently the Hong Kong dollar and Renminbi remain closely pegged to the United States dollar. Therefore, the exchange rates between the United States dollar, Renminbi and Hong Kong dollar currently remain stable. To hedge against the volatility of future cash flows caused by changes in foreign currency exchange rates, the Group may, when necessary, utilise forward foreign exchange contracts to hedge the Group's exposure to specific currency risks relating to purchases of raw materials and other foreign currency fluctuations.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

v) Liquidity and funding risk

The Group funds its operations through a mix of internal funds and bank and other borrowings, and reviews regularly its liquidity reserves comprising free cash flows from its operations and undrawn facilities from banks and other financial institutions.

The Group has been maintaining a cash pooling system where excess liquidity is equalised internally through intercompany accounts. Depending on the specifics of each funding requirement, funding for its operating subsidiaries may be sourced directly from the Group's bankers or indirectly through the Company.

vi) Net fair value

The carrying values of cash and bank balances, trade and other current receivables and payables, other liabilities and amount payable approximate fair value due to the relatively short term maturity of these financial instruments.

It is not practicable within the constraint of cost to reliably determine the fair value of amounts receivable and payable to related parties and related companies as these balances have no fixed repayment terms.

It is not practicable within the constraint of cost to reliably determine the fair value of unquoted investments. These instruments are shown at cost subject to impairment in value.

## 4 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Wong's Brothers Consortium Inc, incorporated in British Virgin Islands, which is also the Company's ultimate holding company. Related companies in the financial statements refer to members of the ultimate holding company's group of companies.

Some of the company's transactions and arrangements are between members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, interest-free and without fixed repayment terms unless stated otherwise.

## 5 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the transactions and arrangements of the Group are with related parties in which certain directors of the Company have beneficial interests and the effect of these transactions on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest free and without fixed repayment terms, unless otherwise stated.

Significant related party transactions:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Rental expenses	924	732
Consultancy fees	700	700

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 6 TRADE RECEIVABLES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Outside parties	38,894	36,293
Less: Allowance for doubtful debts	(1,530)	(2,071)
	<u>37,364</u>	<u>34,222</u>

## 7 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposit with a minority shareholder of a subsidiary	2,500	2,500	–	–
Less: Provision on land deposit (Note 20)	(2,500)	(2,500)	–	–
Deposit	2,144	1,491	–	–
Prepayments	2,782	2,664	228	175
Others	1,121	2,697	2,545	2,338
	<u>6,047</u>	<u>6,852</u>	<u>2,773</u>	<u>2,513</u>

Deposit with minority shareholder of a subsidiary represents the deposit paid to the minority shareholder for the acquisition of land in the People's Republic of China. The amount is unsecured, interest-free and has no fixed terms of repayment.

During the last financial year, a lawsuit was made against this minority shareholder and, on grounds of prudence, the directors made a provision for the land deposit.

## 8 INVENTORIES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Inventories carried at net realisable value		
Raw material	9,388	11,477
Finished goods	23,244	26,563
	<u>32,632</u>	<u>38,040</u>
Work-in-progress at cost	837	806
	<u>33,469</u>	<u>38,846</u>

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 9 SUBSIDIARIES

	Company	
	2003	2002
	HK\$'000	HK\$'000
Unquoted equity shares, at cost	78,563	78,563
Amount due from subsidiaries (Note 4)	44,439	18,352
	<u>123,002</u>	<u>96,915</u>

The significant subsidiaries of the Group are set out below:

Name of subsidiary	Place of incorporation and operation	Effective equity interest held by the Group				Principal activities	Cost of investment	
		Directly		Indirectly			2003	2002
		2003	2002	2003	2002			
		%	%	%	%			
Tsit Wing International Company Limited ("TW International") (a)	British Virgin Islands ("BVI")/ Hong Kong	100	100	–	–	Investment holding	78,563	78,563
Tsit Wing Australia Pty Limited ("TW Australia") (b), (e)	Australia	–	–	100	100	Provision for liaison & marketing services to group companies	–	–
Tsit Wing Trading Limited ("TW Trading") (a), (b)	BVI/Hong Kong	–	–	100	100	Inactive	–	–
Tsit Wing Enterprises Limited ("TW Enterprises") (b), (f)	Canada	–	–	100	100	Distribution of coffee, tea and related products	–	–
Cadiz Enterprise Limited ("Cadiz") (c), (e)	Hong Kong	–	–	100	100	Trading of coffee products	–	–
Tsit Wing (China) Co. Limited ("TW China") (c), (e)	Hong Kong	–	–	100	100	Inactive	–	–
Tsit Wing (Hong Kong) Company Limited ("TW Hong Kong") (b), (e)	Hong Kong	–	–	100	100	Investment holding	–	–

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

Name of subsidiary	Place of incorporation and operation	Effective equity interest held by the Group				Principal activities	Cost of investment	
		Directly		Indirectly			2003	2002
		2003	2002	2003	2002			
%	%	%	%					
Tsit Wing Coffee Company Limited ("TW Coffee") (c), (e)	Hong Kong	–	–	100	100	Processing of coffee beans and distribution of coffee, tea and canned goods	–	–
TW Café Limited ("TW Café") (c), (e)	Hong Kong	–	–	100	100	Operation of café shops and restaurant	–	–
Tsit Wing (China) Investment Limited ("TW Investment") (b), (e)	Hong Kong	–	–	53	53	Investment holding	–	–
Zhuhai Tsit Wing Food Co Ltd ("TW Zhuhai") (d), (e)	The People's Republic of China ("PRC")	–	–	53	53	Processing of coffee beans and distribution of coffee and related products	–	–
TW (China) Café Limited ("TW China Café") (e)	Hong Kong	100	100	–	–	Investment holding and operating cafe chain in the PRC	(g)	(g)
Shanghai Tsit Wing Coffee Ltd. ("TW Shanghai") (e)	PRC	–	–	100	–	Operating of café shops	–	–
							78,563	78,563

Notes:

- (a) Not required to be audited by law in its country of incorporation. Audited by overseas practice of Deloitte Touche Tohmatsu for consolidation purposes.
- (b) Subsidiaries of TW International.
- (c) Subsidiaries of TW Hong Kong.
- (d) TW Zhuhai is 90% owned by TW Investment. Under a supplementary agreement dated January 20, 2000 to the Equity Joint Venture Contract, other than a guaranteed payment to the minority shareholder, the minority shareholder of TW Zhuhai is not entitled to share in the profit of TW Zhuhai and is not liable for the losses and liabilities of TW Zhuhai for a period of five years expiring in December 2004. Accordingly, the effective interest held by TW Investment in TW Zhuhai is deemed to be 100% and the effective interest held by the Company is 53%.
- (e) Audited by overseas practice of Deloitte Touche Tohmatsu.
- (f) Audited by Wong & Chiu Chartered Accountants.
- (g) Cost of investment of HK\$2.

The net assets of the subsidiary referred to in note (f) is less than 20% of the net assets of the Group as at the financial year-end.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Construction- in-progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>The Group</u>							
Cost:							
At beginning of year	15,078	32,330	24,420	153	6,215	–	78,196
Currency realignment	182	54	29	–	8	–	273
Additions	–	7,705	1,980	22	88	43	9,838
Transfer to inventories	–	(1,582)	–	–	–	–	(1,582)
Disposals/Written off	–	(145)	(2,513)	(41)	(258)	–	(2,957)
At end of year	15,260	38,362	23,916	134	6,053	43	83,768
Accumulated depreciation:							
At beginning of year	5,827	16,688	17,306	120	3,970	–	43,911
Currency realignment	28	50	23	–	8	–	109
Depreciation for the year	438	3,177	1,999	26	722	–	6,362
Transfer to inventories	–	(364)	–	–	–	–	(364)
Disposals/Written off	–	(64)	(2,498)	(40)	(258)	–	(2,860)
At end of year	6,293	19,487	16,830	106	4,442	–	47,158
Depreciation for last year	435	3,172	2,272	30	709	–	6,618
Carrying amount:							
At end of year	8,967	18,875	7,086	28	1,611	43	36,610
At beginning of year	9,251	15,642	7,114	33	2,245	–	34,285

At December 31, 2003, an analysis and details of the properties held by the Group are set out below:

	Net book value HK\$'000
In Hong Kong held under medium term leases	8,071
Freehold land outside Hong Kong	896
	<u>8,967</u>

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

Description and location	Gross area (sq.ft)	Lease term	Use
Kwai Tak Industrial Centre Kwai Tak Street Kwai Chung, New Territories Hong Kong, comprising:	57,207	99 years from July 1, 1898 (note)	Office, industrial, warehouse and car park
(a) Flat A to J 11/F Block 1			
(b) Flat G to H 8/F Block 1			
(c) Flat G to H 10/F Block 1			
(d) Carpark lot No. 55			
(e) Carpark lot No. 53 Block 1			
(f) Roof 12 to 16 Block 1			
(g) Roof 4 Block 1			
1220 Ellesmere Road Unit 10 Toronto, Ontario Canada	2,183	Freehold	Office and industrial

Note: Pursuant to the Sino-British Joint Declaration, the term of the lease is extended to June 30, 2047.

## 11 DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The deposits paid for acquisition of property, plant and equipment relate to the purchase of plant and equipment, which were in transit to a subsidiary at year end.

## 12 OTHER INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Unquoted other investments, at cost		
Current	2,639	–
Non-current	37,563	–
	<u>40,202</u>	<u>–</u>

Other investments represent certificate of deposits, notes and other deposits placed with licensed banks and other financial institution.

The effective interest rate on the short-term investments ranged from 1.65% to 6.7% per annum with maturity date on or before July 16, 2004.

The effective interest rate on the long-term investments ranged from 1.65% to 4.3% per annum and the maturity dates range from 2 to 5 years.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 13 TRUST RECEIPTS

The trust receipts from banks are unsecured and are guaranteed by the Company. The trust receipts bear interest ranging from 1.07% to 5.06% (2002 : 3.25% to 5.75%). Trust receipts are repayable within one year from the balance sheet date.

## 14 TRADE PAYABLES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Outside parties	20,828	21,279

## 15 OTHER PAYABLES

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Outside parties	9,940	12,916	2,888	2,615
Due to minority shareholders of subsidiaries	90	97	–	–
	10,030	13,013	2,888	2,615

## 16 DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the group and movement thereon during the current year:

	Accelerated tax depreciation	Allowance for doubtful debts	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	1,763	(149)	–	1,614
Amount arising (utilised) in current year	597	–	(286)	311
Effect of change in tax rate	165	(14)	–	151
At end of year	2,525	(163)	(286)	2,076

The following is the analysis of the deferred tax balance (after offset) for financial reporting purposes:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Deferred tax liabilities	2,191	1,614
Deferred tax assets	(115)	–
	2,076	1,614

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 17 ISSUED CAPITAL

	Group and Company	
	2003	2002
	HK\$'000	HK\$'000
Authorised:		
400,000,000 ordinary shares of HK\$0.25 each	100,000	100,000
Issued and fully paid:		
160,000,000 ordinary shares of HK\$0.25 each	40,000	40,000

On November 29, 2001, the "Tsit Wing Employees' Share Option Scheme 2001" (the "Option Scheme") was approved by shareholders to grant options, when aggregated with the number of shares issued and issuable in respect of all options, not exceeding 15% of the issued shares of the Company on the date preceding the date of the relevant grant to eligible employees including the executive and non-executive directors of the Company and its subsidiaries. However, eligible employees who are also the Company's controlling shareholders or their associates may not participate in the Option Scheme. The options grant the right to the holder to subscribe for new ordinary shares of the Company at a discount to the market price of the share (subject to a maximum limit of 20%) or at a price equal to the average of the closing prices of the shares on the SGX-ST for the five trading days immediately preceding the date of the grant of the option.

The Option Scheme is administered by a Share Option Committee, which has been authorised to determine the terms and conditions of the grant of the options.

During the financial year, in consideration of the payment of HK\$1.00 for each offer accepted, offers of options were granted pursuant to the "Tsit Wing Employees' Share Option Scheme 2001" (the "Option Scheme") in respect of:

- (i) 800,000 unissued ordinary shares of HK\$0.25 each in the capital of the Company at an exercise price of S\$0.258 per share which represented a 20% discount on the average of the last dealt price for the shares on the SGX-ST for the five consecutive market days immediately preceding the date of grant; and
- (ii) 60,000 unissued ordinary shares of HK\$0.25 each in the capital of the Company at an exercise price of S\$0.300 per share which represented a 20% discount on the average of the last dealt price for the shares on the SGX-ST for the five consecutive market days immediately preceding the date of grant.

Under the Option Scheme, share options granted, exercised and cancelled during the financial year and outstanding as at end of the financial year were as follows:

Date of grant	Number of share options				Balance at end of year	Exercise price per share	Exercise Period
	Balance at beginning of year	Granted during the year	Exercised	Cancelled			
October 2, 2002	360,000	–	–	–	360,000	S\$0.231	October 2, 2004 to October 1, 2014
June 17, 2003	–	800,000	–	–	800,000	S\$0.258	June 17, 2005 to June 16, 2015
December 5, 2003	–	60,000	–	–	60,000	S\$0.300	December 5, 2005 to December 4, 2015

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

During the financial year, the following options in respect of unissued ordinary shares in the Company were granted, accepted and exercised by the following full time employees of the Group, under the option scheme:

Ordinary shares at HK\$0.25 each	Share options granted		Share options exercised	
	No. of employees	No. of options	No. of employees	No. of options
Directors	4	800,000	–	–
Non-director	1	60,000	–	–

The details of share options granted under the Option Scheme to the directors of the Company are as follows:

Name	Number of share options			Aggregate options outstanding as at end of year
	Options granted during the year	Aggregate options granted since commencement of scheme up to December 31, 2003	Aggregate options exercised since commencement of scheme up to December 31, 2003	
Ms Chan Chung Yee	200,000	330,000	–	330,000
Ms Ching Kim Seung	200,000	330,000	–	330,000
Mr. Chan Chi Chung	200,000	200,000	–	200,000
Mr. Tan Kay Hock	200,000	200,000	–	200,000
	800,000	1,060,000	–	1,060,000

Each option grants the holder the right to subscribe for one ordinary share of HK\$0.25 each in the Company. The options may be exercised in full or in part thereof. The holders do not have the right to participate by virtue of the options in any share issue of the other companies in the Group. Options granted are cancelled when the holder is no longer a full-time employee of the Company or any corporations in the Group subject to certain exceptions at the discretion of the Company.

There were no participants to the Option Scheme who are controlling shareholders of the Company and their associates. No participants to the Option Scheme received options, which represents 5% or more of the total number of shares available under the Option Scheme.

## 18 REVENUE

	Group	
	2003	2002
	HK\$'000	HK\$'000
Sales of goods	268,964	270,970

## 19 OTHER OPERATING INCOME

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interest income from non-related companies	1,632	1,280

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 20 OTHER OPERATING EXPENSES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Provision on land deposit (Note 7)	–	2,500
Write off of land survey fee	–	69
Market study cost for new café chain	–	965
Impairment loss on the fixed assets of a restaurant	–	1,029
	–	4,563

## 21 PROFIT FROM OPERATIONS

	Group	
	2003	2002
Number of employees at end of year	299	276

Number of directors of the company in remuneration bands is as follows:

	2003 Number of directors	2002 Number of directors
\$500,000 and above (HK\$2,170,000 and above)	1	1
\$250,000 to \$499,999 (HK\$1,085,000 to HK\$2,169,999)	2	2
Less than \$250,000 (Below HK\$1,085,000)	3	3
Total	6	6

	Group	
	2003	2002
	HK\$'000	HK\$'000
Directors' remuneration:		
Directors of the company:		
Fees	401	391
Other emoluments	9,467	9,238
Other directors:		
Other emoluments	2,183	2,534
Staff costs (including directors' remuneration)	51,263	51,595
Cost of defined contribution plans included in staff costs	2,201	2,235
Non-audit fees paid to auditors:		
Auditors of the company	–	–
Other auditors	87	140
Provision on land deposit	–	2,500
Foreign exchange gain	(832)	(386)
Impairment loss on property, plant and equipment	–	1,029
Allowance for inventories	592	552

Included in the above directors' remuneration is HK\$828,000 (2002 : HK\$636,000) in respect of operating lease rentals paid to a company in which a director of the Company is deemed to have a beneficial interest for residential accommodation provided to that director.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 22 FINANCE COST

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interest expense from:		
Bank borrowings	184	248
Amount due to a supplier	29	69
	<u>213</u>	<u>317</u>

## 23 INCOME TAX EXPENSE

	Group	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong income tax:		
Current year	8,524	6,745
Under (Over) provision in prior year	150	(17)
	<u>8,674</u>	<u>6,728</u>
Income tax in PRC and Canada	310	333
Overprovision of income tax in PRC and Canada in prior years	–	(32)
	<u>8,984</u>	<u>7,029</u>
Deferred	462	1,614
	<u>9,446</u>	<u>8,643</u>

Income tax for the company and its subsidiaries is calculated at the rates prevailing for the respective jurisdictions.

The effective tax rates for 2003 and 2002 differ from the statutory rates of the Group due to:

- (i) certain tax exemptions relating to its PRC operations;
- (ii) certain expenses (mainly depreciation on non-qualifying property, plant and equipment) which are not deductible for tax purposes;
- (iii) different income tax rate in countries where subsidiaries operate; and
- (iv) losses made by certain subsidiaries which cannot be used to offset against profits of the other companies in the Group.

TW Zhuhai is a sino-foreign investment enterprise established in the PRC and is located within a special economic zone. According to the tax regulations in the PRC, TW Zhuhai is subject to a tax rate of 15% (50% of the statutory state income tax rate of 30%), on the assessable profits for the year on a calendar year basis. Although TW Zhuhai incurred tax loss for the year, according to the relevant tax laws in PRC, TW Zhuhai suffered tax charges based on the expenses paid to a minority shareholder.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 24 EARNINGS PER SHARE

	Group			
	Basic	2003 Diluted	Basic	2002 Diluted
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to shareholders	38,595	38,595	35,093	35,093
	No. of shares ('000)		No. of shares ('000)	
Weighted average number of ordinary shares	160,000	160,000	160,000	160,000
Adjustment for potentially dilutive ordinary shares	–	239	–	16
Weighted average number of ordinary shares to compute earnings per share	160,000	160,239	160,000	160,016
Earnings per share (HK cents)	24.12	24.09	21.93	21.93

The basic earnings per share for financial year 2003 is calculated based on the Group's profit attributable to shareholders divided by the number of ordinary shares in issue at 160,000,000 (2002 : 160,000,000) during the year.

The fully diluted earnings per share for 2003 is based on 160,239,000 (2002 : 160,016,000) ordinary shares assuming the full exercise of share options outstanding during the year and adjusting the total number of ordinary shares in issue to reflect the effect of all potentially dilutive ordinary shares.

## 25 MAJOR NON-CASH TRANSACTION

During the financial year, plant and machinery with carrying value of HK\$1,218,000 (2002 : HK\$1,003,000) were transferred to inventories. The deposit paid for acquisition of property, plant and equipment amounting to HK\$82,000 (2002 : \$3,759,000) were transferred to property, plant and equipment.

## 26 CONTINGENT LIABILITIES

At December 31, 2002 and 2003, the Company had given corporate guarantees to banks in respect of banking facilities granted to some of its subsidiaries to the extent of HK\$65,360,000. At December 31, 2003, the amount of banking facilities utilised by the subsidiaries amounted to approximately HK\$6,480,000 (2002 : HK\$3,631,000).

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 27 CAPITAL COMMITMENT

As at the balance sheet date, the Group had the following capital commitments in respect of acquisition of property, plant and equipment:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Contracted for but not provided in the financial statements	728	153
Authorised but not contracted for	15,755	15,950

The Company did not have any capital commitments at the balance sheet date.

## 28 OPERATING LEASE COMMITMENTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Minimum lease payments under operating leases	3,822	5,226

At the balance sheet date, commitments in respect of operating leases for rental of premises with a term of more than one year were as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Within one year	5,384	2,358
In the second to fifth year inclusive	6,036	1,333

The Company did not have any operating lease commitments at the balance sheet date.

## 29 GUARANTEED PAYMENT COMMITMENTS

Under a supplementary agreement dated January 20, 2000 entered into between TW Investment and Zhuhai Hua Sheng Enterprises (Group) Limited ("Zhuhai Hua Sheng") to the Equity Joint Venture Contract, other than a guaranteed payment to Zhuhai Hua Sheng, the minority shareholder is not entitled to share in the profits of TW Zhuhai and is not liable for the losses and liabilities of TW Zhuhai for a period of 5 years expiring in December 2004.

At the balance sheet date, the commitments of the Group are as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Within one year	99	99
Within two to five years	–	99
Total	99	198

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 30 GEOGRAPHICAL AND BUSINESS SEGMENT INFORMATION

### Geographical segments

For management purposes, geographical location of the customers of the Group is organised in accordance with their group of companies' country of origin, which principally comprises Hong Kong, the People's Republic of China and Canada. This forms the basis on which the Group reports its primary segment information on geographic location of the customers and details as at December 31, 2003 and December 31, 2002 and for the financial years then ended are presented below:

### Profit and loss statement

#### Financial year ended

December 31, 2003

	Hong Kong	PRC	Canada	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>				
Sales of goods	242,329	19,930	3,378	265,637
Operations of café shops and restaurant	3,157	170	–	3,327
	245,486	20,100	3,378	268,964
Profit (Loss) from operations	51,004	(5,074)	822	46,752
Finance cost	(112)	(101)	–	(213)
Profit (Loss) before income tax	50,892	(5,175)	822	46,539
Income tax	(9,120)	(15)	(311)	(9,446)
Profit (Loss) after income tax	41,772	(5,190)	511	37,093
Minority interest	–	1,502	–	1,502
Profit (Loss) attributable to the shareholders of the Group	41,772	(3,688)	511	38,595
<b>Other information</b>				
Capital additions	5,341	4,409	88	9,838
Depreciation	4,280	2,026	56	6,362
<b>Balance sheet</b>				
Segment assets	192,895	29,985	3,554	226,434
Segment liabilities	19,303	19,657	3,709	42,669

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

	Hong Kong HK\$'000	PRC HK\$'000	Canada HK\$'000	Total HK\$'000
<b>Profit and loss statement</b>				
<b>Financial year ended</b>				
<b>December 31, 2002</b>				
<b>Revenue</b>				
Sales of goods	238,439	19,909	3,408	261,756
Operations of café shops and restaurant	9,214	–	–	9,214
	247,653	19,909	3,408	270,970
Profit (Loss) from operations	47,273	(6,778)	774	41,269
Finance cost	(178)	(139)	–	(317)
Profit (Loss) before income tax	47,095	(6,917)	774	40,952
Income tax	(8,310)	(14)	(319)	(8,643)
Profit (Loss) after income tax	38,785	(6,931)	455	32,309
Minority interest	–	2,784	–	2,784
Profit (Loss) attributable to the shareholders of the Group	38,785	(4,147)	455	35,093
<b>Other information</b>				
Capital additions	13,216	708	–	13,924
Depreciation	4,448	2,117	53	6,618
Impairment loss recognised in profit and loss statement	1,029	–	–	1,029
<b>Balance sheet</b>				
Segment assets	179,522	20,110	3,744	203,376
Segment liabilities	32,926	4,452	4,351	41,729

## Business segments

The Group principally engages in the processing of coffee beans; distribution of coffee, tea and related products; as well as operating of café shops and restaurant.

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

The analysis of the Group's revenue for the year ended December 31, 2003 and December 31, 2002 by the sales of goods and operations of café shops and restaurant has been set out in the geographical segment information above. The following tables show the Group's carrying amount of segment assets as at December 31, 2003 and December 31, 2002 and additions to property, plant and equipment for the financial year then ended, analysed by the two business activities:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Sales	218,157	201,996	8,701	13,819
Operation of café shops and restaurant	8,277	1,380	1,137	105
	<u>226,434</u>	<u>203,376</u>	<u>9,838</u>	<u>13,924</u>

## 31 DIVIDENDS

During the financial year, the Company paid a final dividend of 5.5 HK cents per ordinary share of HK\$0.25 each (tax not applicable), totalling HK\$8,800,000 in respect of the previous financial year 2002 and an interim dividend of 3.5 HK cents per ordinary share of HK\$0.25 each (tax not applicable) totalling HK\$5,600,000 in respect of the financial year just ended.

Subsequent to December 31, 2003, the directors of the company recommended that a final dividend be paid at 7.5 HK cents per ordinary share of HK\$0.25 each (tax not applicable) totalling HK\$12,000,000 for the financial year just ended on the ordinary shares of the Company.



# STATEMENT OF DIRECTORS

In the opinion of the directors, the accompanying financial statements of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2003, and of the results of the group, changes in equity of the Company and of the Group and cash flows of the Group for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

**Wong Tat Tong @ Wong Tak Tong**  
Chairman and Managing Director

**Wong Tat Pui**  
Director

Hong Kong  
March 1, 2004

# STATISTICS OF SHAREHOLDINGS

As at March 22, 2004

Authorised share capital	:	HK\$100,000,000
Issued share capital	:	HK\$40,000,000
Number of shares issued	:	160,000,000
Class of shares	:	ordinary shares of HK\$0.25 each
Voting rights	:	one vote per share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	330	62.86	1,565,000	0.98
10,001 - 1,000,000	185	35.24	12,488,000	7.80
1,000,001 and above	10	1.90	145,947,000	91.22
<b>Total</b>	<b>525</b>	<b>100.00</b>	<b>160,000,000</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Wong's Brothers Consortium Inc	81,133,826	50.71
2	Snappy Performance Limited	33,027,326	20.64
3	UOB Kay Hian Pte Ltd	7,792,848	4.87
4	Mitsui & Company (Hong Kong) Limited	7,500,000	4.69
5	Raffles Nominees Pte Ltd	3,900,000	2.44
6	Oversea-Chinese Bank Nominees Pte Ltd	3,300,000	2.06
7	HSBC (Singapore) Nominees Pte Ltd	3,018,000	1.89
8	Citibank Nominees Singapore Pte Ltd	2,350,000	1.47
9	DB Nominees (S) Pte Ltd	2,140,000	1.34
10	OCBC Securities Private Ltd	1,785,000	1.12
11	DBS Vickers Securities (S) Pte Ltd	991,000	0.62
12	Yong Heng Choe	873,000	0.55
13	Phillip Securities Pte Ltd	566,000	0.35
14	Ng Goh Hock	550,000	0.34
15	Teo Joo Kim	440,000	0.28
16	Ng Ah Poey	438,000	0.27
17	Yim Chee Chong	420,000	0.26
18	HSBC Private Bank (Suisse) SA	400,000	0.25
19	DBS Nominees Pte Ltd	243,000	0.15
20	Appraisals & Management Pte Limited	200,000	0.13
<b>Total</b>		<b>151,068,000</b>	<b>94.43</b>

On 10 April 2002, the Company announced that Snappy Performance Limited acquired 400,000 shares in the open market on 8 April 2002.

# STATISTICS OF SHAREHOLDINGS

As at March 22, 2004

## SUBSTANTIAL SHAREHOLDERS

The name of the substantial shareholders and the numbers of shares in which they have interests are:

Name of shareholders	Direct Interests	Deemed Interests
Wong's Brothers Consortium Inc	81,133,826	–
Snappy Performance Ltd	33,427,326	–
Wong Tat Tong @ Wong Tak Tong	–	81,133,826
Wong Tat Pui	–	114,561,152
Wong Sek Fook	–	33,427,326

### Notes:

- (1) Wong Tat Tong and Wong Tat Pui are brothers. They are also siblings of Wong Hoi Thung, Angela, our Executive Officer.
- (2) Wong's Brothers Consortium Inc. ("Wong's Brothers Consortium") is a company incorporated under the laws of BVI. Swift Mind Holdings Ltd., Prosperous Town Ltd. and Global King International Ltd. hold 22.2%, 47.3% and 30.5% respectively of the voting rights of Wong's Brothers Consortium.
- (3) Swift Mind Holdings Ltd. ("Swift Mind") is a company incorporated under the laws of BVI. The sole issued ordinary share of Swift Mind is held by Newcourt Trustees Limited as trustee for The Excel Fortune Trust, a discretionary trust established under the laws of Jersey. The eligible beneficiaries of The Excel Fortune Trust include members of Wong Tat Pui's immediate family. Accordingly, Wong Tat Pui is deemed, by virtue of the interests of members of his immediate family in such shares, to have a 22.2% interest in the capital of Wong's Brothers Consortium held by Swift Mind and is deemed to have an interest in all the 81,133,826 Shares held by Wong's Brothers Consortium.
- (4) Prosperous Town Ltd. ("Prosperous Town") is a company incorporated under the laws of BVI. Global King International Ltd. ("Global King") is also a company incorporated under the laws of BVI. Wong Tat Tong and Chan Chung Yee, our Directors, are also directors of Prosperous Town and Global King. All the issued ordinary shares of Prosperous Town and Global King are held by Newcourt Trustees Limited as trustee for The Prosperity 2000 Trust, a discretionary trust established under the laws of Jersey. The eligible beneficiaries of The Prosperity 2000 Trust include members of Wong Tat Tong's immediate family. Accordingly, Wong Tat Tong is deemed, by virtue of the interests of members of his immediate family in such shares, to have an aggregate 77.8% interest in the capital of Wong's Brothers Consortium held by Prosperous Town and Global King and is deemed to have an interest in all the 81,133,826 Shares held by Wong's Brothers Consortium."
- (5) Snappy Performance Ltd. ("Snappy") is a company incorporated under the laws of BVI. The sole issued ordinary share of Snappy is held by Newcourt Trustees Limited as trustee for The Wong Family 2000 Trust, a discretionary trust established under the laws of Jersey. The eligible beneficiaries of The Wong Family 2000 Trust include members of Wong Sek Fook's immediate family (which include Wong Tat Pui and Wong Hoi Thung, Angela). Accordingly, Wong Tat Pui is deemed to have an interest in all the 33,427,326 Shares held by Snappy. Wong Sek Fook is deemed, by virtue of the interests of members of his immediate family in such shares, to have an interest in all the 33,427,326 Shares held by Snappy. Wong Sek Fook is the father of Wong Tat Tong and Wong Tat Pui, our Executive Directors, and Wong Hoi Thung, Angela, our Executive Officer.

### Public Shareholding As At 22 March 2004

Based on the register of shareholders and to the best knowledge of the Company, the percentage of shareholding held in the hands of the public is approximately 28.4%.

The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Tsit Wing International Holdings Limited (“the Company”) will be held at Ballroom 3, Level Two, Sheraton Towers, 39 Scotts Road, Singapore 228230 on Friday, 30 April 2004 at 10.00 a.m. to transact the following business:-

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and Audited Accounts for the year ended December 31, 2003 together with the Auditors’ Report thereon. [Resolution 1]
2. To declare a Final Dividend of 30% (7.5 HK cents) per ordinary share amounting to HK\$12,000,000/- in respect of the year ended December 31, 2003. [Resolution 2]
3. To approve, confirm and ratify the Directors’ Fees of S\$90,000/- (being converted into HK\$401,308/-) [2002: S\$90,000/- (being converted into HK\$390,475/-)] for the year ended December 31, 2003. [Resolution 3]
4. To approve the Directors’ Fees of S\$100,000/- payable to Mr Chan Chi Chung and Mr Tan Kay Hock for the year ending 31 December 2004. [Resolution 4]
5. To re-elect the following Directors retiring pursuant to Bye-Law 104 of the Company’s Bye-Laws:
  - (a) Mr Wong Tat Pui [Resolution 5]
  - (b) Mr Chan Chi Chung [Resolution 6]
6. To re-appoint Messrs Deloitte & Touche, Singapore as the Company’s Auditors and to authorise the Directors to fix their remuneration. [Resolution 7]
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:-

- 8(a). Authority to allot and issue shares up to 50% of issued capital

“THAT pursuant to Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be and are hereby authorised to allot and issue new shares in the Company at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit PROVIDED ALWAYS THAT the aggregate number of shares to be issued pursuant to this Resolution shall not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (b) below) and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company’s next Annual General Meeting or the date by which the Company’s next Annual General Meeting is required by law or by the Bye-Laws of the Company to be held, whichever is earlier.”

- (b) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of issued share capital shall be calculated based on the Company’s issued share capital at the time of the passing of the resolution approving the mandate after adjusting for:-
- (i) new shares arising from the conversion or exercise of convertible securities;
  - (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, and;
  - (iii) any subsequent consolidation or subdivision of shares. [Resolution 8]

[See Explanatory Note i]



# NOTICE OF ANNUAL GENERAL MEETING

9. Authority to grant options and issue shares under the Tsit Wing Employees' Share Option Scheme 2001

“THAT the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the Tsit Wing Employees' Share Option Scheme 2001 (the “Share Option Scheme”) and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of the options under the Share Option Scheme provided always that the aggregate number of shares to be issued pursuant to the Share Option Scheme shall not exceed 15% of the issued share capital of the Company from time to time.”

[Resolution 9]

[See Explanatory Note ii]

**BY ORDER OF THE BOARD**

**Tan Cheng Siew**  
**Company Secretary**  
Singapore, 6 April 2004

**Notes:**

1. With the exception of the Central Depository (Pte) Ltd. (the “Depository”) who may appoint more than two proxies, a shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint no more than two proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
2. Where a form of proxy appoints more than one (1) proxy (including the case where such appointment results from a nomination by the Depository), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
3. A corporation which is a shareholder of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its corporate representative at the meeting.
4. To be valid, the instrument appointing a proxy or proxies, or nominating a proxy or proxies on behalf of the Depository together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of Lim Associates (Private) Limited, the Company's Singapore Share Transfer Agent, at 10 Collyer Quay #19-08 Ocean Building Singapore 049315 not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

**EXPLANATORY NOTES ON ORDINARY RESOLUTIONS TO BE PASSED :**

- i) The proposed Resolution 8, if passed, will empower the Directors of the Company from the date of the above meeting until the date of the next Annual General Meeting, to issue shares in the Company. The number of shares which the Directors may issue under this Resolution would not exceed 50% of the issued share capital of the Company. For issue of shares other than on a pro-rata basis to all shareholders of the Company, the aggregate number of shares to be issued shall not exceed 20% of the issued share capital. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated in accordance with Rule 806(3) of the SGX Listing Manual as set out in sub-paragraph (b) of this Resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
- ii) The proposed Resolution 9, if passed, will empower the Directors of the Company, from the date of the above meeting until the next Annual General Meeting, to issue shares up to an amount in aggregate not exceeding 15% of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Share Option Scheme.



# NOTICE OF ANNUAL GENERAL MEETING

## **IMPORTANT NOTICE**

Under the Companies Act 1981 of Bermuda (as amended) (the “Companies Act”), only those persons who agree to become a shareholder of a Bermuda company and whose names are entered on the register of members of such company may be shareholders, with rights to attend and vote at general meetings. Accordingly, depositors registered and holding shares through the Depository would not be recognised as shareholders of the Company, and would not have a right to attend and to vote at general meetings convened by the Company. In the event that depositors wish to attend and vote at general meetings of the Company, they would have to do so through the Depository appointing them as a proxy, pursuant to the Bye-Laws and the Companies Act. The proxy form would need to be completed by and deposited within the specified time frame, to enable such depositor as proxy to attend and vote at the relevant general meeting of the Company.