

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 seven members, three 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 ¹	2	2
Chan Chi Chung	2	2
Tan Kay Hock	2	2
So Kai Lau, Peter ²	2	1

¹Ms Ching Kim Seung resigned on 20 January 2005 and Mr Suen Wing Yip was appointed in her place on the same date.

²Mr So Kai Lau, Peter was appointed as a non-executive independent director on 1 June 2004.

In addition to the two meetings, the Board also communicated through telephone and e-mail to discuss the first and third quarters results which were then approved by Circular Resolutions.

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 such composition is appropriate and effective in decision making. The Nominating Committee is also satisfied that Mr Chan Chi Chung, Mr Tan Kay Hock and Mr So Kai Lau, Peter can be considered as independent directors. All the independent directors do not have any relationship with the Company or its subsidiaries.

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 Group 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 members of the Nominating Committee are Mr Tan Kay Hock, Mr Chan Chi Chung and Mr Wong Tat Tong, 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.

The Nominating Committee held a meeting during the year and the attendance was as follows: -

Name of Directors	Appointment	No. 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

Subsequent to the year end, the Nominating Committee held a meeting to consider 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.

The Directors due for retirement at the forthcoming Annual General Meeting under Bye-Law 104 are Ms Chan Chung Yee and Mr Tan Kay Hock. The Nominating Committee recommends to the Board and shareholders, the re-nomination of Ms Chan Chung Yee and Mr Tan Kay Hock as Directors after taking into account their contributions and performance. Under the Bye-Law 107(B) of the Company, all newly appointed Directors are to retire at the next Annual General Meeting following their appointment. The Directors to retire pursuant to the aforesaid Bye-Law at the forthcoming Annual General Meeting are Mr Suen Wing Yip and Mr So Kai Lau, Peter. The Nominating Committee recommends to the Board and shareholders, the re-election of Mr Suen Wing Yip and Mr So Kai Lau, Peter as Directors of the Company.

Key information regarding the Board of Directors are indicated under the "Board of Directors" section of the Annual Report. The information of Ms Chan Chung Yee, Mr Tan Kay Hock, Mr Suen Wing Yip and Mr So Kai Lau, Peter, the Directors due for re-election at this Annual General Meeting are disclosed elsewhere in 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.

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Remuneration Committee currently comprises Mr Chan Chi Chung, Mr Tan Kay Hock and Mr So Kai Lau, Peter, all of whom 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.

The Remuneration Committee held a meeting during the year and the attendance was as follows: -

<u>Name of Directors</u>	<u>Appointment</u>	<u>No. of meetings held</u>	<u>Attendance</u>
Chan Chi Chung (Committee Chairman)	Independent	1	1
Tan Kay Hock	Independent	1	1
Ching Kim Seung ¹	Executive Director	1	1

¹Ms Ching Kim Seung resigned as a Director and ceased to be a member of the Remuneration Committee on 20 January 2005 and Mr So Kai Lau, Peter was appointed in her place on the same date.

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 Annual General Meeting.

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	Basic Component		Variable Component		Director's fee	
	2004	2003	2004	2003	2004	2003
< S\$250,000						
Wong Tat Pui	81%	80%	19%	20%	-	-
Chan Chi Chung	-	-	-	-	100%	100%
Tan Kay Hock	-	-	-	-	100%	100%
So Kai Lau, Peter	-	-	-	-	100%	-
S\$250,000 - S\$499,999						
Chan Chung Yee	84%	84%	16%	16%	-	-
Ching Kim Seung	84%	84%	16%	16%	-	-
S\$500,000 – S\$1,370,000						
Wong Tat Tong	68%	68%	32%	32%	-	-

Directors' interest in share options are disclosed in the Directors' Report.

Remuneration of top 5 Key Executives (who are not directors during the year)

Remuneration band and

name of key executives	Basic Component		Commission		Bonus	
	2004	2003	2004	2003	2004	2003
< S\$250,000						
Suen Wing Yip	91%	83%	-	-	9%	17%
Tsim Man Lam	97%	95%	-	-	3%	5%
Lo Kam Shing	96%	100%	-	-	4%	-
Wong Kam Wing	77%	63%	10%	25%	13%	12%
Leung King Tai	81%	-	13%	-	6%	-

Remuneration of Employees who are Immediate Family Members of a Director

Remuneration band

and name of related person	Salary		Commission		Bonus	
	2004	2003	2004	2003	2004	2003
< S\$250,000						
Wong Hoi Thung, Angela	77%	77%	6%	-	17%	23%

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

Information on Key Management Staff

Suen Wing Yip first joined us as a General Manager – Hong Kong in July 2003 and was promoted to Executive Director and General Manager – Sales & Marketing in January 2005. In this capacity, he is now responsible for managing the entire operations of Warehouse, Distribution, Sales and Marketing departments as well as assisting the Chairman & Managing Director in the formulation of corporate strategies and oversees day-to-day operations. Prior to joining our Group, he worked for more than 13 years in Mountain Cream Hong Kong, a subsidiary of A.S. Watson & Co., Ltd. and his last position was 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 MBA degree from the University of Wisconsin, USA.

Tsim Man Lam first joined our subsidiary, Tsit Wing Australia Pty. Ltd. as a General Manager – Australia in January 2000 and was appointed as a General Manager – Export of Tsit Wing Coffee Co., Ltd. in January 2005. In addition to his primary role in the strategic and business development of our operations in Australia, he is also responsible for exploring of opportunities for group export to other countries. Before Mr. Tsim joined our Group, he worked in the area of business development in Hong Kong and China for over 25 years. Mr. Tsim holds a Master of Business Administration degree from the Newport University in California.

Lo Kam Shing is our General Manager – Café Chain. He is now in charge of the entire operations of our Group's café business in Shanghai. He has over 16 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.

Wong Kam Wing is our Senior Sales Manager of the Catering Division. Mr. Wong has been with our Group for 38 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.

Leung King Tai is our Senior Sales Manager – FMCG, Hotel & Institution Division. He is in charge of formulation and execution of sales strategies and oversees all sales activities of the local retail chains, food services chains, and hotel/institution channels in Hong Kong. He has over 15 years' experience in consumer products industry as well as food services channels in Food & Beverage Industry working for companies in both Hong Kong and PRC; including The Li&Fung Group, GZ Long Hung Company, and Four Seas Mercantile Limited. Prior to joining our Group in 2002, he worked as a Business Development Manager of Nestle Hong Kong Limited. Mr. Leung was conferred with a Professional Diploma in Business Management by the then Hong Kong Polytechnic, and graduated with a Master of Business Administration degree from the University of Nottingham, UK.

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

Details of the share options granted during the year are disclosed in the Directors' Report.

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

To comply with the Code of Corporate Governance that all members of the Audit Committee must be independent directors. The Board of Directors in consultation with the Nominating Committee appointed Mr So Kai Lau, Peter, an independent director to join the Audit Committee in place of Ms Ching Kim Seung.

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

Name of Directors	No. of meetings held	No. of meeting attended
Chan Chi Chung (Committee Chairman)	3	3
Tan Kay Hock	3	3
Ching Kim Seung ¹	3	1
So Kai Lau, Peter ²	3	2

¹ Resigned as a member of the Audit Committee on 1 June 2004

²Appointed as an independent non-executive director and a member of the Audit Committee on 1 June 2004

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
- 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

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 and the Group.

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) 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 Company and 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 Company during the financial year.

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

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the Audit Committee and that the transactions are on an arm's length basis. All interested transactions are subject to review by the Audit Committee to ensure compliance with the established procedures.

The following are the disclosure under Rule 907 of the listing Manual.

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\$1,020,000.00 (equivalent to S\$235,000 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.

Financial Risks and Management

Information relating to Financial Risks and Management are set out elsewhere in this Annual Report.

The directors present their report together with the audited balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group for the financial year ended December 31, 2004.

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
 Mr Chan Chi Chung
 Mr Tan Kay Hock
 Mr So Kai Lau, Peter (appointed on June 1 2004)
 Mr Suen Wing Yip (appointed on January 20 2005)
 Ms Ching Kim Seung (resigned on January 20 2005)

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
The Company				
<u>Ordinary shares of HK\$0.25 each</u>				
Wong Tat Tong @ Wong Tak Tong	–	–	81,133,826*	97,360,591*
Wong Tat Pui	–	–	114,561,152*	137,473,382*
Ching Kim Seung	–	–	–	156,000

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
The Company				
- Options to subscribe for ordinary shares of HK\$0.25 each				
Chan Chung Yee	330,000	596,000*	-	-
Ching Kim Seung	330,000	440,000#	-	-
Chan Chi Chung	200,000	240,000	-	-
Tan Kay Hock	200,000	240,000	-	-

* Wong Tat Tong and Wong Tat Pui are deemed to have an interest in 97,360,591 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 is deemed to have a further interest in 40,112,971 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.

* On January 10, 2005, Chan Chung Yee has exercised 156,000 options to subscribe for ordinary shares of the Company.

The 440,000 options held by Ching Kim Seung are lapsed upon her leaving the Company on January 19, 2005 in accordance with the terms of the options.

The directors' interests as at January 21, 2005 were the same as those at the end of the financial year, except for the interests of Chan Chung Yee.

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) 360,000 unissued ordinary shares of HK\$0.25 each in the capital of the Company at an exercise price of S\$0.231 per share has been adjusted to 432,000 unissued ordinary shares of HK\$0.25 each in the capital of Company at an exercise price of S\$0.1925; and
- (ii) 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 has been adjusted to 960,000 unissued ordinary shares of HK\$0.25 each in the capital of Company at an exercise price of S\$0.215; and
- (iii) 60,000 unissued ordinary shares of HK\$0.25 each in the capital of the Company at an exercise price of S\$0.3 per share has been adjusted to 72,000 unissued ordinary shares of HK\$0.25 each in the capital of Company at an exercise price of S\$0.25; and
- (iv) 800,000 unissued ordinary shares of HK\$0.25 each in the capital of the Company at an exercise price of S\$0.273 per share which represented a 20% discount on the average of the last dealt price for the share 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 adjusted during the financial year and outstanding as at end of the financial year were as follows:

	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	Adjustment			
October 2, 2002	360,000	-	(276,000)	72,000	156,000	\$0.1925	October 2, 2004 to October 1, 2014
June 17, 2003	800,000	-	-	160,000	960,000	\$0.215	June 17, 2005 to June 16, 2015
December 5, 2003	60,000	-	-	12,000	72,000	\$0.25	December 5, 2005 to December 4, 2015
September 27, 2004	-	800,000	-	-	800,000	\$0.273	September 27, 2006 to September 26, 2016

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/adjusted		Share options exercised	
	No. of employees	No. of options	No. of employees	No. of options
Directors	4	612,000	1	156,000
Non-director	3	432,000	1	120,000

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/adjusted during the year	Aggregate options granted since commencement of scheme up to December 31, 2004	Aggregate options exercised since commencement of scheme up to December 31, 2004	
Ms Chan Chung Yee	266,000	596,000	–	596,000
Ms Ching Kim Seung	266,000	596,000	156,000	440,000
Mr Chan Chi Chung	40,000	240,000	–	240,000
Mr Tan Kay Hock	40,000	240,000	–	240,000
	612,000	1,672,000	156,000	1,516,000

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 and no shares were issued at a discount to market price.

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 Option exercised

During the financial year, 276,000 shares of the Company were issued by virtue of the exercise of options to take up unissued shares.

Other than disclosed above, there were no shares of the Company or any corporation 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 the 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.

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
Mr So Kai Lau, Peter	Member and Independent 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 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 related 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 BOARD OF DIRECTORS

Wong Tat Tong @ Wong Tak Tong
Chairman and Chief Executive Officer

Wong Tat Pui
Director

Hong Kong
February 23, 2005

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 38 to 67 for the year ended December 31, 2004. 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 statement 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 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, 2004 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Deloitte & Touche
Certified Public Accountants

William Lim Choon Hock
Partner

Singapore
February 23, 2005

December 31, 2004

	Note	Group		Company	
		2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Current assets:					
Cash	6	19,784	71,792	7,978	13,528
Pledged bank balance	7	6,644	-	-	-
Other investments	14	17,307	2,639	-	-
Trade receivables	8	37,556	37,364	-	-
Other receivables and prepayments	9	7,175	6,047	2,728	2,773
Inventories	10	46,915	33,469	-	-
Total current assets		135,381	151,311	10,706	16,301
Non-current assets:					
Subsidiaries	11	-	-	145,238	123,002
Property, plant and equipment	12	40,283	36,610	-	-
Deposits paid for acquisition of property, plant and equipment	13	484	835	-	-
Other investments	14	66,157	37,563	5,000	-
Deferred tax assets	18	62	115	-	-
Total non-current assets		106,986	75,123	150,238	123,002
Total assets		242,367	226,434	160,944	139,303
LIABILITIES AND EQUITY					
Current liabilities:					
Trust receipts loans	15	6,908	6,480	-	-
Trade payables	16	20,010	20,828	-	-
Other payables	17	10,705	10,030	2,823	2,888
Income tax payable		1,476	3,140	302	239
Total current liabilities		39,099	40,478	3,125	3,127
Non-current liability:					
Deferred tax liabilities	18	2,730	2,191	-	-
Minority interests					
		5,678	6,987	-	-
Capital and reserves:					
Issued capital	19	48,069	40,000	48,069	40,000
Share premium		20,400	28,225	20,400	28,225
Contributed surplus		48,563	48,563	48,563	48,563
Translation reserve		(707)	(533)	-	-
Accumulated profits		78,535	60,523	40,787	19,388
Total equity		194,860	176,778	157,819	136,176
Total liabilities and equity		242,367	226,434	160,944	139,303

See accompanying notes to financial statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT

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Year ended December 31, 2004

	Note	Group	
		2004 HK\$'000	2003 HK\$'000
Revenue	20	299,357	268,964
Cost of sales		(157,291)	(136,571)
Gross profit		142,066	132,393
Other operating income	21	2,732	1,632
Distribution costs		(52,099)	(44,976)
Administrative expenses		(44,898)	(42,297)
Other operating expenses	22	(2,078)	–
Profit from operations	23	45,723	46,752
Finance cost	24	(365)	(213)
Profit before income tax		45,358	46,539
Income tax expense	25	(9,007)	(9,446)
Profit after income tax		36,351	37,093
Minority interests		381	1,502
Profit attributable to shareholders		36,732	38,595
Earnings per share (HK cents)	26		
Basic		19.13	20.10
Diluted		19.07	20.09
Dividends per share (HK cents)	27		
Interim dividend paid		3.5	3.5
Proposed final dividend		7.5	7.5

See accompanying notes to financial statements.

40 STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2004

	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus (a) HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
<u>Group</u>						
Balance at January 1, 2003	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 27)	-	-	-	-	(14,400)	(14,400)
Balance at December 31, 2003	40,000	28,225	48,563	(533)	60,523	176,778
Currency translation differences	-	-	-	(174)	-	(174)
Bonus issue	8,000	(8,000)	-	-	-	-
Share options exercised	69	175	-	-	-	244
Net profit for the year	-	-	-	-	36,732	36,732
Dividend paid (Note 27)	-	-	-	-	(18,720)	(18,720)
Balance at December 31, 2004	48,069	20,400	48,563	(707)	78,535	194,860

	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus (a) HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
<u>Company</u>					
Balance at January 1, 2003	40,000	28,225	48,563	14,476	131,264
Net profit for the year	-	-	-	19,312	19,312
Dividend paid (Note 27)	-	-	-	(14,400)	(14,400)
Balance at December 31, 2003	40,000	28,225	48,563	19,388	136,176
Bonus issue	8,000	(8,000)	-	-	-
Share options exercised	69	175	-	-	244
Net profit for the year	-	-	-	40,119	40,119
Dividend paid (Note 27)	-	-	-	(18,720)	(18,720)
Balance at December 31, 2004	48,069	20,400	48,563	40,787	157,819

- (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

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Year ended December 31, 2004

	Group	
	2004	2003
	HK\$'000	HK\$'000
Cash flows from operating activities:		
Profit before income tax	45,358	46,539
Adjustments for:		
Depreciation expense	7,678	6,362
Interest expense	365	213
Allowance for inventories	29	592
Allowance for doubtful trade receivables	863	1,722
Provision for land deposit written back	(1,291)	-
Impairment loss on property, plant and equipment	1,711	-
Loss on disposal of property, plant and equipment	112	26
Goodwill on acquisition of additional interest in a subsidiary written off	367	-
Interest income	(2,732)	(1,632)
Operating profit before working capital changes	52,460	53,822
Trade receivables	(1,055)	(4,864)
Other receivables and prepayments	163	805
Inventories	(11,195)	6,003
Trade payables	(818)	(451)
Other payables	675	(2,983)
Cash generated from operations	40,230	52,332
Dividend paid	(18,720)	(14,400)
Interest paid	(365)	(213)
Interest received	2,732	1,632
Income tax paid	(10,079)	(8,119)
Net cash from operating activities	13,798	31,232
Cash flows from investing activities:		
Purchase of property, plant and equipment	(14,955)	(9,756)
Acquisition of additional equity interest in a subsidiary	(1,295)	-
Deposits paid for acquisition of property, plant and equipment	(195)	(711)
Proceeds from disposal of property, plant and equipment	121	71
Other investments	(43,262)	(40,202)
Net cash used in investing activities	(59,586)	(50,598)
Cash flows from financing activities:		
Proceeds from new share issue	244	-
Proceeds from trust receipt loans	42,641	44,340
Repayment of trust receipt loans	(42,213)	(41,491)
Pledged bank balance	(6,644)	-
Net cash (used in) from financing activities	(5,972)	2,849
Net effect of exchange rate changes in consolidating subsidiaries	(248)	(656)
Net decrease in cash and cash equivalent	(52,008)	(17,173)
Cash and cash equivalents at beginning of the year	71,792	88,965
Cash and cash equivalents at end of the year	19,784	71,792

See accompanying notes to financial statements.

December 31, 2004

1 General

The Company (Registration No. 28653) was incorporated in Bermuda on June 13, 2000 as an exempted 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 measurement currency of the Company is the Hong Kong dollars as a majority of the Company's transactions are denominated 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 11.

The balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group for the year ended December 31, 2004 were authorised for issue by the Board of Directors on February 23, 2005.

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").

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 Company's financial statements, investments 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

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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. Dividends on equity instruments are recognised in shareholders equity in the period on which they are declared.

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. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

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.

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% or unexpired term of the lease, if shorter
Plant and machinery	8 $\frac{1}{3}$ % 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 and 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 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flow are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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When an impairment loss subsequently reverses, the carrying amount of the asset 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 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.

LEASES - Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

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 can be measured reliably.

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, on an effective yield basis.

Dividend income from investments is recognised when the right to receive payment has been 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 in the foreseeable future.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised on the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. 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 using the rates ruling on the dates of the transactions. At each balance sheet date, recorded monetary balances and balances carried at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment profits and losses are dealt with in the profit and loss statement.

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 rates of exchange which approximate the rates at the dates of the transactions. 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.

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3 Financial risks and management

i) 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.

ii) Interest rate risk

The interest rates of the unquoted investments and trust receipt loans of the Group are disclosed in Note 14 and 15 to the financial statements respectively.

iii) 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.

iv) 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.

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No customer accounted for 5% or more of the Group's revenue for 2004 except one customer which accounted for 5.6% of the Group's revenue (2003 : 6.2%). 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.

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) Fair value of financial assets and financial liabilities

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

In the opinion of the directors, the carrying values of non-current other investments approximate their respective fair values because these investments were mainly purchased during the current financial year.

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.

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 these 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 effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and without fixed repayment terms unless stated otherwise.

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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 Group's transactions and arrangements and terms thereof 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 is reflected in these financial statements. The balances are unsecured, interest free and without fixed repayment terms, unless otherwise stated.

Significant related party transactions:

	<u>Group</u>	
	2004	2003
	HK\$'000	HK\$'000
Rental expenses	1,116	924
Consultancy fees	700	700

6 CASH AND CASH EQUIVALENTS

	<u>Group</u>		<u>Company</u>	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash	11,220	8,461	48	133
Fixed deposits	8,564	63,331	7,930	13,395
	<u>19,784</u>	<u>71,792</u>	<u>7,978</u>	<u>13,528</u>

7 PLEDGED BANK BALANCES

Pledged bank balances represent deposits pledged to a bank to secure banking facilities granted to a subsidiary.

8 TRADE RECEIVABLES

	<u>Group</u>	
	2004	2003
	HK\$'000	HK\$'000
Outside parties	38,943	38,894
Less: Allowance for doubtful debts	(1,387)	(1,530)
	<u>37,556</u>	<u>37,364</u>

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9 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposit to a minority shareholder of a subsidiary	-	2,500	-	-
Less: Provision for land deposit	-	(2,500)	-	-
	-	-	-	-
Deposits	1,604	2,144	-	-
Prepayments	2,867	2,782	265	228
Others	2,704	1,121	2,463	2,545
	<u>7,175</u>	<u>6,047</u>	<u>2,728</u>	<u>2,773</u>

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

During the financial year, the Group wrote back the provision for land deposit of HK\$1,291,000 to form part of the purchase consideration for the acquisition of the remaining 10% interest in a subsidiary.

10 INVENTORIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Inventories carried at net realisable value		
Raw material	14,162	9,388
Finished goods	31,783	23,244
	45,945	32,632
Work-in-progress at cost	970	837
	<u>46,915</u>	<u>33,469</u>

11 SUBSIDIARIES

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unquoted equity shares, at cost	78,563	78,563
Amount due from subsidiaries (Note 4)	66,675	44,439
	<u>145,238</u>	<u>123,002</u>

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The significant subsidiaries of the Group are set out below:

Name of subsidiaries	Place of incorporation and operation	Effective equity interest held by the company				Principal activities	Cost of investment	
		Directly		Indirectly			2004	2003
		2004	2003	2004	2003		HK\$'000	HK\$'000
		%	%	%	%			
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), (f)	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), (g)	Canada	-	-	100	100	Distribution of coffee, tea and related products	-	-
Cadiz Enterprise Limited ("Cadiz") (c), (f)	Hong Kong	-	-	100	100	Inactive	-	-
Tsit Wing (China) Co. Limited ("TW China") (c), (f)	Hong Kong	-	-	100	100	Inactive	-	-
Tsit Wing (Hong Kong) Company Limited ("TW Hong Kong") (b), (f)	Hong Kong	-	-	100	100	Investment holding	-	-

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Name of subsidiaries	Place of incorporation and operation	Effective equity interest held by the company				Principal activities	Cost of investment	
		Directly		Indirectly			2004	2003
		2004	2003	2004	2003		HK\$'000	HK\$'000
		%	%	%	%			
Tsit Wing Coffee Company, Limited ("TW Coffee") (c), (f)	Hong Kong	-	-	100	100	Processing of coffee beans and distribution of coffee, tea and canned goods	-	-
TW Café Limited ("TW Café") (c), (f)	Hong Kong	-	-	100	100	Operation of café shops and restaurant	-	-
Tsit Wing (China) Investment Limited ("TW Investment") (b), (f)	Hong Kong	-	-	53	53	Investment holding	-	-
Zhuhai Tsit Wing Food Co Ltd ("TW Zhuhai") (d), (f)	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") (b), (f)	Hong Kong	100	100	-	-	Investment holding and operating cafe chain in the PRC	(h)	(h)
Shanghai Tsit Wing Coffee Ltd. ("TW Shanghai") (e), (f)	PRC	-	-	100	100	Operation of café shops	-	-
							78,563	78,563

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Notes:

- (a) Not required to be audited by law in its country of incorporation. Audited by overseas practices of Deloitte Touche Tohmatsu for consolidation purposes.
- (b) Subsidiaries of TW International.
- (c) Subsidiaries of TW Hong Kong.
- (d) TW Zhuhai is 100% 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 was not entitled to share in the profit of TW Zhuhai and was not liable for the losses and liabilities of TW Zhuhai for a period of five years that expired in December 2004. Accordingly, the effective interest held by TW Investment in TW Zhuhai was deemed to be 100% and the effective interest held by the Company was 53% for the financial year ended December 31, 2003.

During the year, TW Investment has acquired the remaining 10% of the shares in TW Zhuhai from the minority shareholder. The goodwill of HK\$367,000 that resulted from the acquisition was written off to the profit and loss statement.

- (e) Subsidiary of TW China Café.
- (f) Audited by overseas practices of Deloitte Touche Tohmatsu.
- (g) Audited by Wong & Chiu Chartered Accountants. This subsidiary is not material to the Group.
- (h) Cost of investment of HK\$2.

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12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land and buildings	Plant and machinery	Furniture, Fixtures & 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	15,260	38,362	23,916	134	6,053	43	83,768
Currency realignment	82	24	11	-	7	-	124
Additions	-	10,369	4,604	70	418	40	15,501
Transfer to inventories	-	(2,864)	-	-	-	-	(2,864)
Disposals/Written off	-	(4,447)	(9,575)	-	(1,200)	-	(15,222)
At end of year	15,342	41,444	18,956	204	5,278	83	81,307
Accumulated depreciation:							
At beginning of year	6,293	19,487	16,830	106	4,442	-	47,158
Currency realignment	15	23	11	-	1	-	50
Depreciation for the year	443	3,970	2,575	18	672	-	7,678
Transfer to inventories	-	(584)	-	-	-	-	(584)
Disposals/Written off	-	(4,298)	(9,491)	-	(1,200)	-	(14,989)
At end of year	6,751	18,598	9,925	124	3,915	-	39,313
Impairment loss:							
Charge for the year and at end of year (Note 22)	-	1,094	617	-	-	-	1,711
Depreciation for last year	438	3,177	1,999	26	722	-	6,362
Carrying amounts:							
At end of year	8,591	21,752	8,414	80	1,363	83	40,283
At beginning of year	8,967	18,875	7,086	28	1,611	43	36,610

December 31, 2004

At December 31, 2004, an analysis and details of the properties held by the Group are set out below:

	<u>Net book value</u> HK\$'000
In Hong Kong held under medium term leases	7,670
Freehold land outside Hong Kong	921
	<u>8,591</u>

<u>Description and location</u>	<u>Gross area</u> (sq.ft)	<u>Lease term</u>	<u>Use</u>
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.

13 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.

December 31, 2004

14 OTHER INVESTMENTS

	<u>Group</u>		<u>Company</u>	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<u>Current</u>				
Unquoted fixed rate notes, at cost				
- denominated in USD	9,765	1,639	-	-
- denominated in HKD	2,542	-	-	-
	12,307	1,639	-	-
Unquoted fixed rate certificates of deposits, at cost (all denominated in HKD)				
Current portion	5,000	1,000	-	-
	17,307	2,639	-	-
<u>Non-current</u>				
Unquoted fixed rate notes, at cost (all denominated in USD)	778	-	-	-
Unquoted certificates of deposits and structured deposits, at cost				
- denominated in USD	40,379	32,563	-	-
- denominated in HKD	25,000	5,000	5,000	-
	65,379	37,563	5,000	-
Non-current portion	66,157	37,563	5,000	-
Total other investments	83,464	40,202	5,000	-

Other investments represents certificate of deposits, notes and other deposits placed with licensed banks and other financial institutions.

The effective interest rates on the short-term investments ranged from 2.0% to 7.6% (2003: 1.65% to 6.7%) per annum with maturity date on or before December 31, 2005.

The effective interest rates on the long-term investments ranged from 1.65% to 4.3% (2003: 1.65% to 4.3%) per annum and the maturity dates range from 2 to 5 years.

15 TRUST RECEIPT LOANS

The trust receipt loans are unsecured and are guaranteed by the Company. The trust receipt loans bear interest ranging from 1.04% to 3.56% (2003 : 1.07% to 5.06%) per annum. Trust receipt loans are repayable within one year from the balance sheet date.

16 TRADE PAYABLES

	<u>Group</u>	
	2004 HK\$'000	2003 HK\$'000
Outside parties	20,010	20,828

December 31, 2004

17 OTHER PAYABLES

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Outside parties	10,698	9,940	2,823	2,888
Due to minority shareholders of subsidiaries	7	90	-	-
	10,705	10,030	2,823	2,888

18 DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and the movements during the year:

	Accelerated tax depreciation	Allowance for doubtful debts	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	2,525	(163)	(286)	2,076
Amount arising (utilised) in current year	874	30	(312)	592
At end of year	3,399	(133)	(598)	2,668

	Group	
	2004	2003
	HK\$'000	HK\$'000
Aggregate deferred tax liabilities	3,399	2,525
Aggregate deferred tax assets	(731)	(449)
Net	2,668	2,076
Presented in the consolidated balance sheet as:		
- deferred tax liabilities	2,730	2,191
- deferred tax assets	(62)	(115)
	2,668	2,076

December 31, 2004

19 ISSUED CAPITAL

	<u>Group and Company</u>			
	<u>Number of Shares</u>		<u>Share Capital</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>Number of ordinary shares</u>			
	<u>of HK\$0.25 each</u>			
	<u>'000</u>	<u>'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Authorised:	400,000	400,000	100,000	100,000
Issued and fully paid:				
At beginning of year	160,000	160,000	40,000	40,000
Bonus issue	32,000	–	8,000	–
Exercise of share options	276	–	69	–
At end of year	192,276	160,000	48,069	40,000

During the financial year, the Company

- (i) issued a bonus issue of 31,999,999 ordinary shares on a basis of one bonus share for every five existing shares of par value HK\$0.25 each. However, in view of the Bonus Issue, adjustments to all outstanding options were approved by the Share Option Committee to ensure the participants' entitlement remained the same as that prior to the Bonus Issue;
- (ii) issued 276,000 ordinary shares upon the exercise of share options.

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 on 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.

December 31, 2004

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) 360,000 unissued ordinary shares of HK\$0.25 each in the capital of the Company at an exercise price of S\$0.231 per share has been adjusted to 432,000 unissued ordinary shares of HK\$0.25 each in the capital of Company at an exercise price of S\$0.1925; and
- (ii) 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 has been adjusted to 960,000 unissued ordinary shares of HK\$0.25 each in the capital of Company at an exercise price of S\$0.215; and
- (iii) 60,000 unissued ordinary shares of HK\$0.25 each in the capital of the Company at an exercise price of S\$0.30 per share has been adjusted to 72,000 unissued ordinary shares of HK\$0.25 each in the capital of Company at an exercise price of S\$0.25; and
- (iv) 800,000 unissued ordinary shares of HK\$0.25 each in the capital of the Company at an exercise price of S\$0.273 per share which represented a 20% discount on the average of the last dealt price for the share on the SGX-ST, for the five consecutive market days immediately preceding the date of grant; and

December 31, 2004

Under the Option Scheme, share options granted, exercised and adjusted 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	Exercised price per share	Exercise Period
	Balance at beginning of year	Granted during the year	Exercised	Adjustment			
October 2, 2002	360,000	-	(276,000)	72,000	156,000	S\$0.1925	October 2, 2004 to October 1, 2014
June 17, 2003	800,000	-	-	160,000	960,000	S\$0.215	June 17, 2005 to June 16, 2015
December 5, 2003	60,000	-	-	12,000	72,000	S\$0.25	December 5, 2005 to December 4, 2015
September 27, 2004	-	800,000	-	-	800,000	S\$0.273	September 27, 2006 to September 26, 2016

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/adjusted		Share options exercised	
	No. of employees	No. of options	No. of employees	No. of options
Directors	4	612,000	1	156,000
Non-director	3	432,000	1	120,000

December 31, 2004

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

Name	Options granted/adjusted during the year	Number of share options		Aggregate options outstanding as at end of year
		Aggregate options granted since commencement of scheme up to December 31, 2004	Aggregate options exercised since commencement of scheme up to December 31, 2004	
Ms Chan Chung Yee	266,000	596,000	-	596,000
Ms Ching Kim Seung	266,000	596,000	156,000	440,000
Mr Chan Chi Chung	40,000	240,000	-	240,000
Mr Tan Kay Hock	40,000	240,000	-	240,000
	612,000	1,672,000	156,000	1,516,000

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 and no shares were issued at a discount to market price.

20 REVENUE

	Group	
	2004	2003
	HK\$'000	HK\$'000
Sales of goods	299,357	268,964

21 OTHER OPERATING INCOME

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interest income from non-related companies	2,732	1,632

December 31, 2004

22 OTHER OPERATING EXPENSES

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Goodwill on acquisition of additional interest in a subsidiary written off	367	-
Impairment loss on property, plant and equipment (Note 12)	1,711	-
	<u>2,078</u>	<u>-</u>

23 PROFIT FROM OPERATIONS

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
Number of employees at end of year	<u>342</u>	<u>299</u>

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

	<u>2004</u>	<u>2003</u>
	Number	Number
	<u>of directors</u>	<u>of directors</u>
\$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)	4	3
Total	<u>7</u>	<u>6</u>

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Directors' remuneration:		
Directors of the company:		
Fees	587	401
Other emoluments	9,539	9,467
Other directors:		
Other emoluments	2,409	2,183
Staff costs (including directors' remuneration)	55,304	51,263
Cost of defined contribution plans included in staff costs	2,181	2,201
Audit fees paid to:		
Auditors of the Company	238	228
Other auditors	650	625
Non-audit fees paid to auditors:		
Other auditors	77	87
Provision for land deposit written back	(1,291)	-
Foreign exchange loss (gain)	361	(832)
Allowance for inventories	29	592
	<u>29</u>	<u>592</u>

December 31, 2004

Included in the above directors' remuneration is HK\$1,020,000 (2003 : HK\$828,000) 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.

24 FINANCE COST

	<u>Group</u>	
	2004 HK\$'000	2003 HK\$'000
Interest expense on:		
Bank borrowings	323	184
Amount due to suppliers	42	29
	365	213

25 INCOME TAX EXPENSE

	<u>Group</u>	
	2004 HK\$'000	2003 HK\$'000
Hong Kong income tax:		
Current year	7,895	8,524
Underprovision in prior year	38	150
	7,933	8,674
Income tax in PRC and Canada	482	310
	8,415	8,984
Deferred	592	462
	9,007	9,446

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

The income tax expense varied from the amount of income tax expense determined by applying the Hong Kong income tax rate of 17.5% to profit before income tax as a result of the following differences:

	<u>Group</u>	
	2004 HK\$'000	2003 HK\$'000
Income tax expense at statutory rate	7,938	8,144
Non-allowance items	604	711
Non-taxable items	(426)	(410)
Effect of changes in tax rate	-	151
Utilisation of deferred tax benefits previously not recognised	(257)	(25)
Underprovision in respect of prior year	38	150
Tax effect of temporary difference not recognised	8	365
Tax loss not recognised	1,102	360
Total income tax expense	9,007	9,446

December 31, 2004

The Group has tax loss carryforwards available for offsetting against future taxable income as follows:

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Amount at beginning of year	4,736	2,822
Amount in current year	6,297	2,057
Amount utilised in current year	(1,469)	(143)
Amount at end of year	<u>9,564</u>	<u>4,736</u>
Deferred tax benefit on above not recorded	<u>1,674</u>	<u>829</u>

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.

26 EARNINGS PER SHARE

	<u>Group</u>			
	<u>2004</u>		<u>2003</u>	
	<u>Basic</u>	<u>Diluted</u>	<u>Basic</u>	<u>Diluted</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net profit attributable to shareholders	<u>36,732</u>	<u>36,732</u>	<u>38,595</u>	<u>38,595</u>
	<u>No. of shares ('000)</u>		<u>No. of shares ('000)</u>	
Weighted average number of ordinary shares	192,043	192,043	192,000	192,000
Adjustment for potentially dilutive ordinary shares	-	582	-	127
Weighted average number of ordinary shares to compute earnings per share	<u>192,043</u>	<u>192,625</u>	<u>192,000</u>	<u>192,127</u>
Earnings per share (HK cents)	19.13	19.07	20.10	20.09

December 31, 2004

The calculation of basic earnings per ordinary share is calculated based on the Group profit after taxation and minority interests of HK\$36,732,000 (2003: HK\$38,595,000) divided by the weighted average number of ordinary shares of 192,042,999 (2003 : 191,999,999) as adjusted for the bonus issue of one bonus share for every 5 existing shares.

Fully diluted earnings per ordinary share is based on 192,624,999 (2003 : 192,126,999) ordinary shares assuming the full exercise of share options outstanding during the year and adjusting the weighted average number of ordinary shares in issue to reflect the effect of all potentially dilutive ordinary shares.

27 DIVIDENDS

During the financial year ended December 31, 2004, the Company declared and paid a final dividend of 7.5 HK cents per ordinary share of HK\$0.25 each (tax not applicable), totalling HK\$12,000,000 in respect of the previous financial year 2003 and an interim dividend of 3.5 HK cents per ordinary share of HK\$0.25 each (tax not applicable) totalling HK\$6,720,000 in respect of the financial year just ended.

During the financial year ended December 31, 2003, the Company declared and 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 ended 2003.

Subsequent to December 31, 2004, 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\$14,421,000 for the financial year just ended on the ordinary shares of the Company. The proposed dividends are not accrued as a liability for the current financial year in accordance with FRS 10 – *Events After the Balance Sheet Date*.

28 MAJOR NON-CASH TRANSACTION

During the financial year, plant and machinery with carrying value of HK\$2,280,000 (2003 : HK\$1,218,000) were transferred to inventories. The deposit paid for acquisition of property, plant and equipment amounting to HK\$546,000 (2003 : \$82,000) were transferred to property, plant and equipment.

29 CONTINGENT LIABILITIES

At December 31, 2004, the Company had given corporate guarantees to its banks in respect of banking facilities granted to some of its subsidiaries to the extent of HK\$46,910,000 (2003: HK\$65,360,000). At December 31, 2004, the amount of banking facilities utilised by the subsidiaries amounted to approximately HK\$6,908,000 (2003 : HK\$6,480,000).

December 31, 2004

30 CAPITAL EXPENDITURE COMMITMENTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Estimated amount committed for future capital expenditure, but not provided for in the financial statements	2,185	728
Authorised but not yet contracted for	15,687	15,755

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

31 OPERATING LEASE COMMITMENTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Minimum lease payments under operating leases included in the profit and loss statement	5,159	3,822

At the balance sheet date, commitments in respect of operating leases for the rental of premises were as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Future minimum lease payments payable:		
Within one year	4,028	5,384
In the second to fifth year inclusive	2,347	6,036
Total	6,375	11,420

The Company did not have any operating lease commitments at year end date.

32 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 that expired in December 2004.

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	-	99

December 31, 2004

33 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 of 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, 2004 and December 31, 2003 and for the financial years then ended are presented below:

Profit and loss statement

Financial year ended

December 31, 2004

	Hong Kong	PRC	Canada	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers				
Sales of goods	268,830	22,341	4,155	295,326
Operations of café shops and restaurant	3,024	1,007	–	4,031
	<u>271,854</u>	<u>23,348</u>	<u>4,155</u>	<u>299,357</u>
Profit (Loss) from operations	51,159	(6,736)	1,300	45,723
Finance cost				(365)
Profit before income tax				45,358
Income tax				(9,007)
Profit after income tax				36,351
Minority interest				381
Profit attributable to the shareholders of the Group				<u>36,732</u>
Other information				
Capital additions	11,728	3,765	8	15,501
Depreciation	5,008	2,591	79	7,678
Impairment loss recognised in profit and loss statement	–	1,711	–	1,711
Balance sheet				
Segment assets	209,453	30,101	2,751	242,305
Unallocated corporate assets				62
Consolidated total assets				<u>242,367</u>
Segment liabilities	8,563	27,926	1,134	37,623
Unallocated corporate liabilities				4,206
Consolidated total liabilities				<u>41,829</u>

December 31, 2004

Profit and loss statement

Financial year ended

December 31, 2003

	Hong Kong	PRC	Canada	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers				
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				(213)
Profit before income tax				46,539
Income tax				(9,446)
Profit after income tax				37,093
Minority interest				1,502
Profit attributable to the shareholders of the Group				38,595
Other information				
Capital additions	5,341	4,409	88	9,838
Depreciation	4,280	2,026	56	6,362
Balance sheet				
Segment assets	192,780	29,985	3,554	226,319
Unallocated corporate assets				115
Consolidated total assets				226,434
Segment liabilities	13,972	19,657	3,709	37,338
Unallocated corporate liabilities				5,331
Consolidated total liabilities				42,669

December 31, 2004

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.

The analysis of the Group's revenue for the year ended December 31, 2004 and year ended December 31, 2003 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, 2004 and December 31, 2003 and additions to property, plant and equipment for the financial year then ended, analysed by the two business activities:

	<u>Carrying amount</u>		<u>Additions to property,</u>	
	<u>of segment assets</u>		<u>plant and equipment</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Sales	230,351	218,157	11,798	8,701
Operation of café shops and restaurant	12,016	8,277	3,703	1,137
	<u>242,367</u>	<u>226,434</u>	<u>15,501</u>	<u>9,838</u>

In the opinion of the directors, the balance sheet and statement of changes in equity of the Company and 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, 2004, and of the results of the group, changes in equity of the Company and 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 BOARD OF DIRECTORS

Wong Tat Tong @ Wong Tak Tong
Chairman and Chief Executive Officer

Wong Tat Pui
Director

Hong Kong
February 23, 2005

STATISTICS OF SHAREHOLDINGS

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AS AT 11TH MARCH 2005

Authorised share capital	:	HK\$100,000,000
Issued share capital	:	HK\$48,107,999.75
Number of shares issued	:	192,431,999
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	16	2.99	5,318	0.00
1,000 - 10,000	235	43.93	935,882	0.49
10,001 - 1,000,000	275	51.40	17,084,800	8.88
1,000,001 and above	9	1.68	174,405,999	90.63
Total	535	100.00	192,431,999	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Wong's Brothers Consortium Inc	97,360,591	50.59
2	Snappy Performance Ltd	39,632,791	20.60
3	UOB Kay Hian Pte Ltd	9,636,417	5.01
4	Citibank Nominees Singapore Pte Ltd	9,555,000	4.97
5	Mitsui & Company (Hong Kong) Limited	9,000,000	4.68
6	DB Nominees (S) Pte Ltd	2,695,000	1.40
7	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,568,000	1.33
8	HSBC (Singapore) Nominees Pte Ltd	2,324,200	1.21
9	Raffles Nominees Pte Ltd	1,634,000	0.85
10	DBS Nominees Pte Ltd	948,600	0.49
11	OCBC Securities Private Ltd	902,000	0.47
12	Oversea-Chinese Bank Nominees Pte Ltd	840,000	0.44
13	Phillip Securities Pte Ltd	745,200	0.39
14	DBS Vickers Securities (S) Pte Ltd	722,000	0.38
15	Yim Chee Chong	711,000	0.37
16	Tan Kay Yeong	700,000	0.36
17	Ng Goh Hock	660,000	0.34
18	Teo Joo Kim	458,000	0.24
19	Yeo Seng Chong	342,000	0.18
20	Goh Ah Tee	240,000	0.12
	Total	181,674,799	94.42

On 10 April 2002, the Company announced that Snappy Performance Limited acquired 400,000 shares in the open market on 8 April 2002 which were registered in the name of a nominee Company.

Snappy Performance Limited was subsequently allotted an additional 80,000 shares pursuant to a Bonus Issue during the year 2004.

AS AT 11TH MARCH 2005

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	97,360,591	-
Snappy Performance Ltd	40,112,791	-
Wong Tat Tong @ Wong Tak Tong	-	97,360,591
Wong Tat Pui	-	137,473,382
Wong Sek Fook	-	40,112,791

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 Trustcorp 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 97,360,591 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 Trustcorp 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 97,360,591 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 Trustcorp 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 40,112,791 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 40,112,791 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 11 March 2005

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 28.38%.

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Tsit Wing International Holdings Limited ("the Company") will be held at Opal Room, Level Two, Sheraton Towers, 39 Scotts Road, Singapore 228230 on Thursday, 28 April 2005 at 10:00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended December 31, 2004 together with the Auditors' Report thereon. [Resolution 1]
2. To declare a Final Dividend of 30% (7.5 HK cents) per ordinary share in respect of the year ended December 31, 2004. [Resolution 2]
3. To approve, confirm and ratify the Director's fee of S\$29,167/- (being converted into HK\$131,654/-) paid to Mr So Kai Lau, Peter for the year ended December 31, 2004. [Resolution 3]
4. To approve the Directors' fees of S\$150,000/- [2004:S\$129,167/-] payable to Mr Chan Chi Chung, Mr Tan Kay Hock and Mr So Kai Lau, Peter for the year ending December 31, 2005. [Resolution 4]
5. To re-elect the following Directors retiring pursuant to Bye-Laws 104 and 107 (B) of the Company's Bye-Laws:

(a)	Ms Chan Chung Yee	(Bye-Law 104)		
(b)	Mr Tan Kay Hock	(Bye-Law 104)		[Resolution 5(a)]
(c)	Mr Suen Wing Yip	(Bye-Law 107 (B))		[Resolution 5(b)]
(d)	Mr So Kai Lau, Peter	(Bye-Law 107 (B))		[Resolution 5(c)]
				[Resolution 5(d)]

Messrs Tan Kay Hock and So Kai Lau, Peter will upon re-election as Directors of the Company, remain as members of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
6. To re-appoint Messrs Deloitte & Touche, Singapore as the Company's Auditors and to authorise the Directors to fix their remuneration. [Resolution 6]
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 7]

[See Explanatory Note i]

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 8]

[See Explanatory Note ii]

BY ORDER OF THE BOARD

Tan Cheng Siew

Company Secretary

Singapore, 4 April 2005

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 7, 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 8, 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.

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.

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