

REPORT ON CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

Principle 1: Board's Conduct of Its Affairs

Principle 2: Board Composition and Balance

The Board currently comprises 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 meetings to communicate with each other simultaneously and instantaneously. Three meetings were conducted during the financial year and the attendance was as follows:

Name of Directors	Appointment	Number of Meetings Held	Number of Meetings Attended
Wong Tat Tong (Chairman)	Executive	3	3
Wong Tat Pui	Executive	3	3
Chan Chung Yee*	Executive	3	3
Suen Wing Yip	Executive	3	3
Chan Chi Chung	Independent	3	3
Tan Kay Hock	Independent	3	3
So Kai Lau, Peter	Independent	3	3

* Ms Chan Chung Yee resigned as an executive director on February 28, 2006.

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 Group'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 judgements of corporate affairs of the Group by members of the Board, taking into account factors such as the number of independent non-executive 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 possess 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.

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

Currently, Mr Wong Tat Tong serves as both the Chairman of the Board and the CEO of the Company because the current scale of its business does not warrant such a division. Assisted by the Company Secretary and the Group 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 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 responsibilities 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, two of whom 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 ensure that the Board has an appropriate balance of independent non-executive 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 proposing objective performance criteria for the Board’s approval.

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

<u>Name of Directors</u>	<u>Appointment</u>	<u>Number of Meetings Held</u>	<u>Number of Meetings Attended</u>
Tan Kay Hock (Committee Chairman)	Independent	1	1
Chan Chi Chung	Independent	1	1
Wong Tat Tong	Executive	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 and the nomination of the fourth executive director, Mr Lam Kong Fuk. 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 Mr Wong Tat Pui and Mr Chan Chi Chung. The Nominating Committee recommends to the Board and shareholders, the re-election of Mr Wong Tat Pui and Mr Chan Chi Chung 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 director to retire pursuant to the aforesaid Bye-Law at the forthcoming Annual General Meeting is Mr Lam Kong Fuk. The Nominating Committee recommends to the Board and shareholders, the re-election of Mr Lam Kong Fuk as a director of the Company.

Information regarding the members of the Board, including Mr Wong Tat Pui, Mr Chan Chi Chung and Mr Lam Kong Fuk, directors be recommended for re-election at the forthcoming Annual General Meeting, is shown under the “Board of Directors” section of the Annual Report.

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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 Group'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 matters of special note or importance. In the absence of the Company Secretary, the Board 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 comprises three independent non-executive directors, Mr So Kai Lau, Peter, Mr Chan Chi Chung and Mr Tan Kay Hock. The role of the Remuneration Committee is to review and recommend to the Board, an appropriate and competitive framework of remuneration for the members of the Board and key executives of the Group. It meets at least once a year and as warranted by particular circumstances.

The Remuneration Committee held two meetings during the financial year and the attendance was as follows:

<u>Name of Directors</u>	<u>Appointment</u>	<u>Number of Meetings Held</u>	<u>Number of Meetings Attended</u>
So Kai Lau, Peter (Committee Chairman)	Independent	2	2
Chan Chi Chung	Independent	2	2
Tay Kay Hock	Independent	2	2

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 executive directors do not receive directors' fee. The remuneration for the executive directors and the key 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 remuneration packages of directors and key executives are carried out by the Remuneration Committee to ensure that the remuneration packages of the directors and key executives commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO together with other key executives is reviewed periodically by the Remuneration Committee and the full Board.

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Disclosure on Remuneration Directors' Remuneration

Remuneration Band and Name of Director	Basic Component		Variable Component		Director's fee	
	2005	2004	2005	2004	2005	2004
< S\$250,000						
Wong Tat Pui	88%	81%	12%	19%	–	–
Chan Chi Chung	–	–	–	–	100%	100%
Tan Kay Hock	–	–	–	–	100%	100%
So Kai Lau, Peter	–	–	–	–	100%	100%
Ching Kim Seung*	100%	84%	–	16%	–	–
S\$250,000 - S\$499,999						
Suen Wing Yip	87%	–	13%	–	–	–
Chan Chung Yee	84%	84%	16%	16%	–	–
S\$500,000 – S\$1,370,000						
Wong Tat Tong	78%	68%	22%	32%	–	–

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

* Ms Ching Kim Seung resigned as an executive director on January 20, 2005.

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

Remuneration Band and Name of Key Executives	Basic Component		Commission		Bonus	
	2005	2004	2005	2004	2005	2004
< S\$250,000						
Tsim Man Lam	98%	97%	–	–	2%	3%
Lam Kong Fuk *	90%	–	–	–	10%	–
Wong Kam Wing	82%	77%	5%	10%	13%	13%
Leung King Tai, Simon	87%	81%	8%	13%	5%	6%
Chan Sum Yu, Samuel	93%	91%	–	–	7%	9%

* Mr Lam Kong Fuk was appointed as an executive director on February 28, 2006 and information on Mr Lam is shown under the "Board of Directors" section of the Annual Report.

Remuneration of Employees who are Immediate Family Members of a Director

Remuneration Band and Name of Related Person	Salary		Commission		Bonus	
	2005	2004	2005	2004	2005	2004
< S\$250,000						
Wong Hoi Thung, Angela	78%	77%	5%	6%	17%	17%

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

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Information on Key Management Staff

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 the Export Department 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 the Group's 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 30 years. Mr Tsim holds a Master of Business Administration degree from the Newport University in California.

Wong Kam Wing is our Sales Director of the Sales Department. Mr Wong has been with our Group for 39 years. He started out as a sales representative and was promoted for several times 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 strategies and action plans to accomplish the annual sales target.

Leung King Tai, Simon is our Planning & Development Director of the Sales & Marketing Division. Mr Leung is responsible for the overall corporate system planning and execution, process management, projects handling, and strategic regional key accounts management. He has over 15 years' experience in consumer product industry as well as food services channels in the food & beverage industry, and has worked in various local and international corporations. 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.

Chan Sum Yu, Samuel joined as Internal Audit Manager in October 2003, reporting to the Audit Committee of the Board and the Chairman and Chief Executive Officer. He is responsible for establishing Group's policies & procedures, preparing annual audit plan, formulating audit policies, audit program and procedure and conducting internal audit reviews of business operations. Mr Chan has over 20 years' experience in the areas of auditing, accounting and finance in different industries before he joined our Group. Mr Chan holds a Bachelor degree of Accountancy from Portsmouth Polytechnic, UK, a Bachelor degree of Law from the Wolverhampton University, UK and a Master of Commerce (Finance) degree from the University of New South Wales, Australia. He is also a Certified Practicing Accountant of CPA Australia.

Wong Hoi Thung, Angela is the General Manager of our Group's Canada business. Ms Wong 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, 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, Mr Chan Chi Chung and Mr Tan Kay Hock, two of whom are independent non-executive directors.

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

<u>Name of Directors</u>	<u>Appointment</u>	<u>Number of Meetings Held</u>	<u>Number of Meetings Attended</u>
Wong Tat Tong (Committee Chairman)	Executive	1	1
Chan Chi Chung	Independent	1	1
Tay Kay Hock	Independent	1	1

Details of the share options granted during the financial 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 on remuneration to be approved at an Annual General Meeting.

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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 Group's performance, position and prospects on a monthly basis. The Board provides the shareholders with a balanced and understandable assessment of the Group'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

The Audit Committee comprises three independent non-executive directors, Mr Chan Chi Chung, Mr Tan Kay Hock and Mr So Kai Lau, Peter.

The Audit Committee held three meetings during the financial year and the attendance was as follows:-

Name of Directors	Appointment	Number of Meetings Held	Number of Meetings Attended
Chan Chi Chung (Committee Chairman)	Independent	3	3
Tan Kay Hock	Independent	3	3
So Kai Lau, Peter	Independent	3	3

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 and the Group 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 the nomination of the external auditors.

The Audit Committee performs the following functions:-

- (1) to review the annual and interim financial statements of the Company and the Group before submission to the Board for adoption
- (2) to review with the internal and external auditors, their audit plans and audit reports
- (3) to review the cooperation given by the Group's officers to the internal and external auditors
- (4) to review the scope and results of the internal audit procedures
- (5) to nominate and review the appointment or re-appointment of external auditors
- (6) to review interested person transactions

REPORT ON CORPORATE GOVERNANCE

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 the Group's 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 auditors plan the 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. 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 Singapore Exchange Securities Trading Limited ("SGX-ST").

In line with the Best Practices Guide, the Company issues circulars to its directors and officers of the Group that there must be no dealings in the listed securities of the Company, one month before the release of the half-yearly and full year financial results, and if they are in possession of any unpublished price-sensitive information. All directors and officers 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.

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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 the transactions are on arm's length basis. All interested person 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 S\$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 S\$100,000/-)	Nature of Transaction
Telenice Company Limited	HK\$1,020,000 (equivalent to S\$220,000 approximately)	NIL	Rental Fee
Great Joy International Development Limited	HK\$700,000 (equivalent to S\$151,000 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.

DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended December 31, 2005.

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	
Mr Chan Chi Chung	
Mr Tan Kay Hock	
Mr So Kai Lau, Peter	
Mr Suen Wing Yip	(Appointed on January 20, 2005)
Mr Lam Kong Fuk	(Appointed on February 28, 2006)
Ms Ching Kim Seung	(Resigned on January 20, 2005)
Ms Chan Chung Yee	(Resigned on February 28, 2006)

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 options mentioned in paragraphs 3 and 5 of the Report of the Directors.

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 and debentures of the Company and related corporations except as follows:

Name of directors and company in which interests are held	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
The Company				
– <u>Ordinary shares of HK\$0.25 each</u>				
Wong Tat Tong @ Wong Tak Tong	–	–	97,360,591 *	97,360,591 *
Wong Tat Pui	–	–	137,473,382 *	137,473,382 *
Suen Wing Yip	–	–	200,000 **	200,000 **
Chan Chung Yee	–	156,000	–	–

DIRECTORS' REPORT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

Name of directors and company in which interests are held	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
The Company				
– Options to subscribe for ordinary Shares of HK\$0.25 each				
Chan Chung Yee	596,000	440,000	–	–
Chan Chi Chung	240,000	240,000	–	–
Tan Kay Hock	240,000	240,000	–	–
Suen Wing Yip	200,000	200,000	–	–
Ching Kim Seung	440,000 ##	–	–	–

* 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 share 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 40,112,791 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.

** Suen Wing Yip is deemed to have an interest in 200,000 ordinary shares of the Company by virtue of the interests of members of his family who personally holds 200,000 ordinary shares of the Company.

The 440,000 options held by Ching Kim Seung 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, 2006 were the same as those at the end of the financial year.

DIRECTORS' REPORT

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. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) *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.

DIRECTORS' REPORT

(b) *Unissued shares under option and options exercised*

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	Exercise price per share	Exercise Period
	Balance at beginning of year	Granted during the year	Exercised	Lapsed/ Cancelled			
October 2, 2002	156,000	–	(156,000)	–	–	\$0.1925	October 2, 2004 to October 1, 2014
June 17, 2003	960,000	–	–	(240,000)	720,000	\$0.2150	June 17, 2005 to June 16, 2015
December 5, 2003	72,000	–	–	–	72,000	\$0.2500	December 5, 2005 to December 4, 2015
September 27, 2004	800,000	–	–	(200,000)	600,000	\$0.2730	September 27, 2006 to September 26, 2016
	1,988,000	–	(156,000)	(440,000)	1,392,000		

The 440,000 share options lapsed during the year was due to the resignation of an employee in accordance with the terms of the Option Scheme.

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/accepted		Share options exercised	
	No. of employees	No. of options	No. of employees	No. of options
Directors	–	–	1	156,000
Non-directors	–	–	–	–

DIRECTORS' REPORT

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

Name of director	Number of share options				Percentage of total number of options outstanding at the end of financial year
	Options granted/adjusted during the financial year	Aggregate options granted since commencement of the Option scheme to the end of financial year	Aggregate options granted (exercised) since commencement of the Option scheme to the end of financial year	Aggregate options outstanding as at the end of financial year	
Ms Chan Chung Yee	-	596,000	(156,000)	440,000	32%
Mr. Chan Chi Chung	-	240,000	-	240,000	17%
Mr. Tan Kay Hock	-	240,000	-	240,000	17%
Mr. Suen Wing Yip	-	200,000	-	200,000	14%
	-	1,276,000	(156,000)	1,120,000	80%

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. Except as disclosed above, no employee received 5% or more of the total number of options available under the Option Scheme. Options granted at a discount are exercisable 2 years from the date of grant. There were no options granted at a discount during the financial year under review.

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 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 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.

DIRECTORS' REPORT

5. Nominate and review the appointment or re-appointment of external auditors; and
6. Review interested persons transactions.

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

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

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

7 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 28, 2006

AUDITORS' REPORT

TO THE MEMBERS OF TSIT WING INTERNATIONAL HOLDINGS LIMITED

We have audited the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of Tsit Wing International Holdings Limited (the "Company") for the financial year ended December 31, 2005 set out on pages 33 to 67. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards 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, 2005 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Deloitte & Touche
Certified Public Accountants

William Lim Choon Hock
Partner

Singapore
February 28, 2006

BALANCE SHEETS

December 31, 2005

	Note	Group		Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
ASSETS					
Current assets:					
Cash and cash equivalents	7	23,599	19,784	6,208	7,978
Pledged bank balances	8	6,583	6,644	–	–
Loans receivables	15	20,560	17,307	–	–
Trade receivables	9	44,414	37,556	–	–
Other receivables and prepayments	10	6,729	7,175	2,142	2,728
Amount due from subsidiaries		–	–	65,158	–
Inventories	11	49,706	46,915	–	–
Total current assets		151,591	135,381	73,508	10,706
Non-current assets:					
Subsidiaries	13	–	–	78,653	145,238
Property, plant & equipment	12	61,608	40,283	–	–
Deposits paid for acquisition of property, plant & equipment	14	858	484	–	–
Loans receivables	15	49,240	66,157	–	5,000
Deferred tax assets	20	115	62	–	–
Total non-current assets		111,821	106,986	78,653	150,238
Total assets		263,412	242,367	152,161	160,944
LIABILITIES AND EQUITY					
Current liabilities:					
Trust receipts and other loans	16	8,248	6,908	–	–
Trade payables	17	18,785	20,010	–	–
Other payables	18	11,348	10,705	2,154	2,823
Income tax payable		–	1,476	–	302
Total current liabilities		38,381	39,099	2,154	3,125
Non-current liabilities:					
Deferred income tax	20	4,205	2,730	–	–
Capital, reserves and minority interests:					
Share capital	21	48,108	48,069	48,108	48,069
Share premium		20,504	20,400	20,504	20,400
Contributed surplus		48,563	48,563	48,563	48,563
Translation reserve		262	(707)	–	–
Employee share option reserve		370	–	370	–
Retained earnings		97,407	78,535	32,462	40,787
Equity attributable to equity holders of the parent		215,214	194,860	150,007	157,819
Minority interests		5,612	5,678	–	–
Total equity		220,826	200,538	150,007	157,819
Total liabilities and equity		263,412	242,367	152,161	160,944

See accompanying notes to financial statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended December 31, 2005

	Note	Group	
		2005 HK\$'000	2004 HK\$'000
Revenue	23	320,065	299,357
Cost of sales		(175,488)	(157,291)
Gross profit		144,577	142,066
Other operating income	24	3,132	2,732
Distribution costs		(50,765)	(52,099)
Administrative expenses		(46,437)	(44,898)
Other operating expenses	25	(945)	(2,078)
Finance cost	26	(473)	(365)
Profit before income tax		49,089	45,358
Income tax expenses	27	(9,115)	(9,007)
Profit for the year	28	39,974	36,351
Attributable to:			
Equity holders of the parent		40,040	36,732
Minority interests		(66)	(381)
		39,974	36,351
Earnings per share (HK cents)	29		
– Basic		20.81	19.13
– Diluted		20.76	19.07
Dividend per share (HK cents)	30		
– Interim dividend paid		3.5	3.5
– Proposed final dividends		7.5	7.5

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2005

	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Translation Reserve HK\$'000	Employee Share Option Reserve HK\$'000	Retained Earnings HK\$'000	Attributable to equity holders of the parent HK\$'000	Minority Interest HK\$'000	Total HK\$'000
Group									
Balance at January 1, 2004	40,000	28,225	48,563	(533)	–	60,523	176,778	6,987	183,765
Currency translation differences	–	–	–	(174)	–	–	(174)	–	(174)
Bonus issue	8,000	(8,000)	–	–	–	–	–	–	–
Share options exercised	69	175	–	–	–	–	244	–	244
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(928)	(928)
Net profit for the year	–	–	–	–	–	36,732	36,732	(381)	36,351
Dividend paid (Note 30)	–	–	–	–	–	(18,720)	(18,720)	–	(18,720)
Balance at December 31, 2004	48,069	20,400	48,563	(707)	–	78,535	194,860	5,678	200,538
Currency translation differences	–	–	–	969	–	–	969	–	969
Cost of share-based payment (Note 22)	–	–	–	–	370	–	370	–	370
Share options exercised	39	104	–	–	–	–	143	–	143
Net profit for the year	–	–	–	–	–	40,040	40,040	(66)	39,974
Dividend paid (Note 30)	–	–	–	–	–	(21,168)	(21,168)	–	(21,168)
Balance at December 31, 2005	48,108	20,504	48,563	262	370	97,407	215,214	5,612	220,826

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2005

	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Employee Share Option Reserve HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
Company						
Balance at January 1, 2004	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 30)	–	–	–	–	(18,720)	(18,720)
Balance at December 31, 2004	48,069	20,400	48,563	–	40,787	157,819
Cost of share-based payment	–	–	–	370	–	370
Share options exercised	39	104	–	–	–	143
Net profit for the year	–	–	–	–	12,843	12,843
Dividend paid (Note 30)	–	–	–	–	(21,168)	(21,168)
Balance at December 31, 2005	48,108	20,504	48,563	370	32,462	150,007

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

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2005

	Group	
	2005 HK\$'000	2004 HK\$'000
Operating activities:		
Profit before income tax	49,089	45,358
Adjustments for:		
Depreciation expense	9,801	7,678
Interest expense	473	365
Allowance for inventories	189	29
Allowance for doubtful trade receivables	1,855	863
Cost of share-based payment	370	–
Provision on land deposit written back	–	(1,291)
Impairment loss on property, plant & equipment	687	1,711
Written back of overprovision for coupon liabilities	(2,577)	–
Loss on disposal of property, plant & equipment	374	112
Goodwill on acquisition of additional interest in a subsidiary written off	–	367
Interest income	(3,132)	(2,732)
Operating cash flows before movements in working capital	57,129	52,460
Trade receivables	(8,713)	(1,055)
Other receivables & prepayments	1,134	163
Inventories	(2,980)	(11,195)
Trade payables	(1,225)	(818)
Other payables	3,220	675
Cash generated from operations	48,565	40,230
Dividend paid	(21,168)	(18,720)
Interest paid	(473)	(365)
Interest received	3,132	2,732
Income tax paid	(9,857)	(10,079)
Net cash from operating activities	20,199	13,798
Investing activities:		
Purchase of property, plant & equipment	(32,295)	(14,955)
Proceeds from disposal of property, plant & equipment	646	121
Acquisition of additional equity interest in a subsidiary	–	(1,295)
Deposits paid for acquisition of property, plant & equipment	(374)	(195)
Loans receivables	13,664	(43,262)
Net cash used in investing activities	(18,359)	(59,586)
Financing activities:		
Proceeds from short term loans	3,899	909
Proceeds from new share issue	143	244
Proceeds from trust receipts and other loans	17,289	41,732
Repayment of trust receipts and other loans	(19,848)	(42,213)
Pledged bank balance (Note 8)	61	(6,644)
Net cash from (used in) financing activities	1,544	(5,972)
Net increase (decrease) in cash and cash equivalents	3,384	(51,760)
Cash and cash equivalents at the beginning of the year	19,784	71,792
Effect of foreign exchange rate changes	431	(248)
Cash and cash equivalents at the end of the years (Note 7)	23,599	19,784

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

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. The Company's 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 company is listed on the mainboard of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Hong Kong dollars.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the year ended December 31, 2005 were authorised for issue by the Board of Directors on February 28, 2006.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with Singapore Financial Reporting Standards ("FRS").

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after January 1, 2005. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements except as disclosed below and in the notes to financial statements.

(a) *FRS 39 – Financial Instruments: Recognition and Measurement*

The adoption of FRS 39 requires the Group to classify and measure its financial assets and financial liabilities other than debt and equity securities in accordance with the requirements of FRS 39. Financial assets under FRS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or held-to-maturity financial assets". Having reviewed the nature of the Group's financial assets, the Group has classified certain financial assets under the category of loans and receivables. Loans receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. The change has had no significant impact to the results of the Group for the financial year ended 31 December 2005.

As the accounting policy has been applied prospectively, the adoption of FRS 39 has had no impact on amounts reported in 2004 or prior periods.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) FRS 102 – Share-based Payment

FRS 102 Share-based Payment requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date. Prior to the adoption of FRS 102, the group did not recognise the financial effect of share-based payments until such payments were settled.

In accordance with the transitional provisions of FRS 102, the accounting standard has been applied retrospectively to all grants of equity instruments after November 22, 2002 that were unvested as of January 1, 2005, and to liabilities for share-based transactions existing at January 1, 2005. The accounting standard therefore applies to share options granted in 2004 and 2005.

For 2004, the impact arising from the adoption of FRS 102 was a net decrease in profit for the year of HK\$203,000. However, as the amount was not considered to be material no adjustment to the equity was made, but was instead charged to the 2005 income statement.

For 2005, the impact of share-based payments is a net charge to income of HK\$167,000. As a result a total of HK\$370,000 was charged to income statement and credited to share options reserve for the financial year ended December 31, 2005 accordingly.

At the date of authorisation of these financial statements, the FRSs and INT FRSs that were issued but not effective include the following:

FRS 40	-	Investment Property
FRS 106	-	Exploration for and Evaluation of Mineral Resources
FRS 107	-	Financial Instruments : Disclosures
INT FRS 104	-	Determining whether an Arrangement contains a Lease
INT FRS 105	-	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 106	-	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

Amendments to FRS 1 Presentation of Financial Statements on Capital Disclosures.

Amendments to FRS 39 Financial Instruments : Recognition and Measurements on hedge accounting provisions, fair value option and financial guarantee contracts.

Amendments to FRS 101 First-time Adoption of Financial Reporting Standards on comparative disclosures for FRS 106 Exploration for and Evaluation of Mineral Resources.

Amendments to FRS 104 Insurance Contracts on Financial Guarantee Contracts.

Consequential amendments were also made to various standards as a result of these new/revised standards.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The directors anticipate that the adoption of the above FRSs, INT FRSs and amendments in future periods will have no material impact on the financial statements of the Company and of the Group.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans, trade and other receivables

Loans, trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, and in the case of investments not at fair value through profit and loss plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

Cash and bank balances comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bank borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

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

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 stated at cost less accumulated depreciation and any accumulated impairment losses.

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%

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

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit and loss statement.

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). Where 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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement.

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

PROVISIONS – Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

SHARE-BASED PAYMENTS – The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions and behavioural considerations.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes) are charged as an expense as they fall due.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, 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 there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the group and the balance sheet of the company are presented in Hong Kong dollars, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in Note 2, management is of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

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

Allowance for doubtful trade receivables

As described in note 9, the Group had allowance for doubtful trade receivables of HK\$2,239,000 (2004: HK\$1,387,000). This allowance has been determined by reference to the management's past experience on the recoverability of their customers.

4 FINANCIAL RISKS AND MANAGEMENT

The Group has documented risk management policies. These policies set out the group's overall business strategies and its risk management philosophy. The Group's overall risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Board of Directors provide written principles for overall risk management and written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess cash. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with.

The Group's activities expose it to a variety of financial risks, including the effects of: changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group uses derivative financial instruments such as foreign exchange forward contracts to hedge certain exposures. The Group does not hold or issue derivative financial instruments for speculative purposes.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

4 FINANCIAL RISKS AND MANAGEMENT (continued)

Foreign exchange 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.

Interest rate risk

Interest bearing financial assets and financial liabilities are mainly bank balances, demand deposits, unquoted investments, trust receipts and bank loans which are subject to insignificant risk of changes in value as they are short-term in nature, except for unquoted investments maturing 2 to 5 years after the balance sheet date.

The interest rates of the unquoted investments, trust receipts and other bank loans of the Group are disclosed in Notes 15 and 16 to the financial statements respectively.

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.

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 centralised in one customer or group of customers.

No customer accounted for 5% or more of the Group's revenue for 2005 except for one customer which accounted for 5.8% of the Group's revenue (2004 : 5.6%). 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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

4 FINANCIAL RISKS AND MANAGEMENT (continued)

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.

Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, other current investments, other liabilities and amount payable approximate their respective fair values due to the relatively short term maturity of these financial instruments. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to financial statements.

5 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 repayable on demand.

6 OTHER 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 are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest free and repayable on demand.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

6 OTHER RELATED PARTY TRANSACTIONS (continued)

During the year, the Group had the following transactions with the following companies in which certain directors have beneficial interests.

Name of company	Interested director	Nature of transaction	2005 HK\$'000	2004 HK\$'000
Telenice Ltd	Wong Tat Tong, Peter	Rental expenses	1,020	1,020
Tsit Wing Investment Co., Ltd	Wong Tat Tong, Peter	Rental expenses	16	96
Great Joy International Development Ltd	Wong Sek Fook and Wong Tat Pui, Alex	Consultancy fee	700	700

These transactions were carried out after negotiations between the Company and the related parties with reference to the estimated market value as determined by the directors of the Company.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Short-term benefits	12,325	12,411
Post-employment benefits	600	661
Share-based payments	370	–
	13,295	13,072

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Cash and bank balances	9,690	11,220	208	48
Fixed deposits	13,909	8,564	6,000	7,930
	23,599	19,784	6,208	7,978

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of two months or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear interest at an average rate of 3.6% (2004 : 0.3%) per annum and for a tenure of approximately 14 days (2004 : 14 days).

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

7 CASH AND CASH EQUIVALENTS (continued)

The Group's and Company's cash and cash equivalents that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Singapore dollars	599	332	–	–
United States dollars	4,960	313	–	–
Euro	1,379	2	–	–

8 PLEDGED BANK BALANCES

Pledged bank balances represent deposits pledged to a bank to secure banking facilities granted to a subsidiary. These pledged bank balances bear interest at an average rate of 3.8% (2004 : 0.52%) per annum.

9 TRADE RECEIVABLES

	Group	
	2005 HK\$'000	2004 HK\$'000
Outside parties	46,653	38,943
Less: Allowance for doubtful debts	(2,239)	(1,387)
	44,414	37,556

The allowance has been made for estimated irrecoverable amounts from the sale of goods to outside parties determined by reference to the management past experience.

The Group's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Singapore dollars	786	–
United States dollars	96	–
Euro	–	–

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Deposits	1,684	1,604	–	–
Prepayments	2,471	2,867	265	265
Tax recoverable	688	–	246	–
Others	1,886	2,704	1,631	2,463
	6,729	7,175	2,142	2,728

The Group's and Company's other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Singapore dollars	122	126	122	126
United States dollars	363	442	–	–
Euro	376	55	–	–

11 INVENTORIES

	Group	
	2005 HK'000	2004 HK'000
Raw material	24,273	14,162
Work-in-progress	1,111	970
Finished goods	24,322	31,783
	49,706	46,915

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures & equipment HK\$'000	Motor vehicles HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
The Group							
Cost:							
At January 1, 2004	1,077	14,183	38,362	24,050	6,053	43	83,768
Currency realignment	82	-	24	11	7	-	124
Additions	-	-	10,369	4,674	418	40	15,501
Transfer to inventories	-	-	(2,864)	-	-	-	(2,864)
Disposals/Written off	-	-	(4,447)	(9,575)	(1,200)	-	(15,222)
At December 31, 2004	1,159	14,183	41,444	19,160	5,278	83	81,307
Currency realignment	40	-	859	166	26	-	1,091
Additions	-	8,869	14,350	5,873	3,292	326	32,710
Transfer to inventories/ fixed assets	-	-	(94)	-	-	(326)	(420)
Disposals/Written off	-	-	(1,487)	(1,659)	(1,485)	-	(4,631)
At December 31, 2005	1,199	23,052	55,072	23,540	7,111	83	110,057
Accumulated depreciation:							
At January 1, 2004	182	6,111	19,487	16,936	4,442	-	47,158
Currency realignment	15	-	23	11	1	-	50
Depreciation	41	402	3,970	2,593	672	-	7,678
Transfer to inventories	-	-	(584)	-	-	-	(584)
Disposals/Written off	-	-	(4,298)	(9,491)	(1,200)	-	(14,989)
At December 31, 2004	238	6,513	18,598	10,049	3,915	-	39,313
Currency realignment	8	-	473	53	19	-	553
Depreciation	44	557	5,184	3,095	921	-	9,801
Transfer to inventories	-	-	(5)	-	-	-	(5)
Disposals/Written off	-	-	(671)	(1,458)	(1,482)	-	(3,611)
At December 31, 2005	290	7,070	23,579	11,739	3,373	-	46,051
Impairment loss:							
At January 1, 2004	-	-	-	-	-	-	-
Charge for the year	-	-	1,094	617	-	-	1,711
At December 31, 2004	-	-	1,094	617	-	-	1,711
Charge for the year	-	-	14	673	-	-	687
At December 31, 2005	-	-	1,108	1,290	-	-	2,398
Carrying amounts:							
At December 31, 2005	909	15,982	30,385	10,511	3,738	83	61,608
At December 31, 2004	921	7,670	21,752	8,494	1,363	83	40,283

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

12 PROPERTY, PLANT AND EQUIPMENT (continued)

An analysis and details of the net book value of the properties held by the Group are set out below:

	2005 HK\$'000	2004 HK\$'000
In Hong Kong held under medium term leases	15,982	7,670
Freehold land outside Hong Kong	909	921
	16,891	8,591

Description and location	Gross area (sq.ft)	Lease term	Use
Kwai Tak Industrial Centre Kwai Tak Street Kwai Chung, New Territories Hong Kong, comprising:	75,326	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			
(h) Carpark lot No. 56 – 58			
(i) Flat A – E, 1/F., Block 2			
(j) Carpark lot No. L21, 22 & 24			
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 SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unquoted equity shares, at cost	78,563	78,563
Amount due from subsidiaries (Note 5)	90	66,675
	78,653	145,238

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

13 SUBSIDIARIES (continued)

Details of the company's subsidiaries at December 31, 2005 are as follows:

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest				Principal activities	Cost of investment	
		Directly		Indirectly			2005 HK\$'000	2004 HK\$'000
		2005 %	2004 %	2005 %	2004 %			
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	Distribution of grocery products	–	–
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	–	–
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	(h)	(h)
Shanghai Tsit Wing Coffee Ltd. ("TW Shanghai") (e), (f)	PRC	–	–	100	100	Operation of cafe shop	–	–
							78,563	78,563

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

13 SUBSIDIARIES (continued)

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, 2004.

In 2004, TW Investment 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 for that year.

- (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.

14 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.

15 LOANS RECEIVABLES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Current				
Unquoted fixed rate notes	1,560	12,307	–	–
Unquoted fixed rate certificates of deposits	19,000	5,000	–	–
Current portion	20,560	17,307	–	–

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

15 LOANS RECEIVABLES (continued)

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Non-current				
Unquoted fixed rate notes	4,680	778	–	–
Unquoted certificates of deposits and structured deposits	44,560	65,379	–	5,000
Non-current portion	49,240	66,157	–	5,000
Total loans receivables	69,800	83,464	–	5,000

Loans receivables represent certificate of deposits, notes and other deposits placed with licensed banks and other financial institutions.

The effective interest rates on the loans receivables with maturity date on or before December 31, 2005 ranged from 1.65% to 4.5% (2004 : 2.0% to 7.6%) per annum.

The effective interest rates on the loans receivables with maturity dates ranging from 2 to 5 years ranged from 1.65% to 7% (2004 : 1.65% to 4.3%) per annum.

The Group's and Company's structured deposits mature within 1 to 3 years with guaranteed principal. The directors of the Company intend to hold these structured deposits to maturity.

The Group's and Company's loans receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
United States dollars	46,800	50,922	–	–

The directors estimate the fair value of the group's non-current loans receivables to approximate their carrying amounts.

16 TRUST RECEIPTS AND OTHER LOANS

The trust receipts and other short term bank loans bear interest rates ranging from 1.27% to 7.16% (2004 : 1.04% to 3.56%) per annum. Trust receipts and other short term bank loans are repayable within one year from the balance sheet date.

	Group	
	2005 HK'000	2004 HK'000
Secured	4,808	909
Unsecured	3,440	5,999
	8,248	6,908

The secured loans are secured by the pledged bank balances (Note 8).

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

16 TRUST RECEIPTS AND OTHER LOANS (continued)

The Group's trust receipts and other loans that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Renminbi	6,175	4,422

17 TRADE PAYABLES

	Group	
	2005 HK\$'000	2004 HK\$'000
Outside parties	18,785	20,010

The Group's trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
United States dollars	945	2,189
Euro	258	215

18 OTHER PAYABLES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Outside parties	11,341	10,698	2,154	2,823
Due to minority shareholders of subsidiaries	7	7	-	-
	11,348	10,705	2,154	2,823

The Group's and Company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Singapore dollars	-	18	-	18
United States dollars	81	53	-	-
Euro	-	6	-	-

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

19 RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

The group operates Defined contribution plans for all qualifying employees of its subsidiaries in the People's Republic of China and Hong Kong. The assets of the plans are held separately from those of the group in funds under the control of trustees. Where employees leave the plans prior to the contribution full vesting, the contribution payable by the group are reduced by the amount of forfeited contributions.

The total expense recognised in the profit and loss statement of HK\$2,205,000 (2004: HK\$2,181,000) represents contributions payable to these plans by the group at rates specified in the rules of the plans.

20 DEFERRED TAX

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

	Accelerated tax depreciation HK\$'000	Allowance for doubtful debts HK\$'000	Tax losses HK\$'000	Total HK\$'000
At January 1, 2005	3,399	(133)	(598)	2,668
Amount arising (utilised) in current year	1,622	(200)	–	1,422
At December 31, 2005	5,021	(333)	(598)	4,090

	Group	
	2005 HK\$'000	2004 HK\$'000
Aggregate deferred tax liabilities	5,021	3,399
Aggregate deferred tax assets	(931)	(731)
Net	4,090	2,668
Presented in the consolidated balance sheet as:		
- deferred tax liabilities	4,205	2,730
- deferred tax assets	(115)	(62)
	4,090	2,668

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

21 SHARE CAPITAL

	Group and Company			
	2005	2004	2005	2004
	Number of ordinary shares of HK\$0.25 each '000	Number of ordinary shares of HK\$0.25 each '000	HK\$'000	HK\$'000
Authorised	400,000	400,000	100,000	100,000
Issued and fully paid:				
At the beginning of the year	192,276	160,000	48,069	40,000
Bonus issue	–	32,000	–	8,000
Exercise of share option	156	276	39	69
At the end of the year	192,432	192,276	48,108	48,069

The Company has one class of ordinary shares which carry no rights to fixed income.

22 SHARE BASED PAYMENTS

Equity settled share option scheme

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.

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 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, except as disclosed in paragraph 5(b) of the Report of the Directors. Options granted at a discount are exercisable 2 years from the date of grant.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

22 SHARE BASED PAYMENTS (continued)

Details of the share options outstanding during the year are as follows:

	Group and Company			
	2005		2004	
	Number of share options '000	Weighted average Exercise price S\$	Number of share options '000	Weighted average exercise price S\$
Outstanding at the beginning of the year	1,988	0.2378	1,220	0.2101
Granted during the year	–	–	800	0.2730
Forfeited during the year	(440)	0.2414	–	–
Exercised during the year	(156)	0.1925	(276)	0.1925
Adjustments during the year	–	–	244	0.2101
Expired during the year	–	–	–	–
Outstanding at the end of the year	1,392	0.2418	1,988	0.2378
Exercisable at the end of the year	792	0.2182	156	0.1925

The weighted average share price at the date of exercise for share options exercised during the year was S\$0.2418. The options outstanding at the end of the year have a weighted average remaining contractual life of 10 years (2004: 10 years).

In 2004, options were granted on September 27. The estimated fair values of the options granted on those dates are S\$0.355.

The fair values of the options granted in 2004 were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	2004
Weighted average share price	S\$0.374
Weighted average exercise price	S\$0.23748
Expected volatility	26.7%
Expected life	3
Risk free rate	4%
Expected dividend yield	8.1%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 4 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferrability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of HK\$370,000 (2004: HK\$Nil) related to equity-settled share-based payment transactions during the year.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

23 REVENUE

	Group	
	2005	2004
	HK\$'000	HK\$'000
Sales of goods	316,591	295,326
Operations of cafe shops and restaurant	3,474	4,031
	320,065	299,357

24 OTHER OPERATING INCOME

	Group	
	2005	2004
	HK\$'000	HK\$'000
Interest income from non-related companies	3,132	2,732

25 OTHER OPERATING EXPENSES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Shop closure expenses	258	–
Goodwill on acquisition of additional interest in a subsidiary written off	–	367
Impairment loss on property, plant and equipment (Note 12)	687	1,711
	945	2,078

26 FINANCE COSTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Interest expense from:		
Bank borrowings	406	323
Amount due to a supplier	67	42
	473	365

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

27 INCOME TAX EXPENSE

	Group	
	2005 HK\$'000	2004 HK\$'000
Hong Kong income tax:		
Current year	7,295	7,895
Underprovision in prior year	3	38
	7,298	7,933
Income tax in PRC and Canada	395	482
	7,693	8,415
Deferred	1,422	592
Income tax expense for the year	9,115	9,007

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% (2004: 17.5%) to profit before income tax as a result of the following differences:

	Group	
	2005 HK\$'000	2004 HK\$'000
Income tax expense at statutory rate	8,590	7,938
Non-allowable items	354	604
Non-taxable items	(420)	(426)
Utilisation of deferred tax benefits previously not recognised	(369)	(257)
Underprovision in respect of prior year	3	38
Tax effect of temporary difference not recognised	(12)	8
Tax loss not recognised	969	1,102
Total income tax expense	9,115	9,007

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Amount at beginning of year	9,564	4,736
Amount in current year	5,539	6,297
Amount utilised in current year	(2,111)	(1,469)
Amount at end of year	12,992	9,564
Deferred tax benefit on above not recorded	2,274	1,674

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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

28 PROFIT FOR THE YEAR

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

	2005 Number of directors	2004 Number of directors
S\$500,000 and above (HK\$2,319,000 and above)	1	1
S\$250,000 to S\$499,999 (HK\$1,085,000 to HK\$2,318,999)	2	2
Less than S\$250,000 (Below HK\$1,159,500)	5	4
Total	8	7

Profit for the year has been arrived at after charging (crediting):

	Group	
	2005 HK\$'000	2004 HK\$'000
Directors' remuneration:		
Directors of the company:		
Fees	696	587
Other emoluments	8,316	9,539
Other directors:		
Other emoluments	1,923	2,409
Employee benefits expense (including directors' remuneration)	55,382	55,304
Audit fees paid to:		
Auditors of the Company	243	238
Other auditors	800	650
Non-audit fees paid to auditors:		
Other auditors	191	77
Provision for land deposit written back	–	(1,291)
Foreign exchange adjustment (gain) loss	(178)	361
Allowance for inventories	189	29
Allowance for doubtful trade receivables	1,855	863
Written back of overprovision for coupon liabilities	(2,577)	–

Included in the above directors' remuneration is HK\$1,020,000 (2004 : HK\$1,020,000) 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.

29 EARNINGS PER SHARE

	Group			
	2005		2004	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Net profit attributable to equity holders the of parent	40,040	40,040	36,732	36,732

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

29 EARNINGS PER SHARE (continued)

	Group			
	2005		2004	
	No. of shares ('000)		No. of shares ('000)	
Weighted average number of ordinary shares	192,432	192,432	192,043	192,043
Adjustment for potentially dilutive ordinary shares	–	419	–	582
Weighted average number of ordinary shares to compute earnings per share	192,432	192,851	192,043	192,625
Earnings per share (HK cents)	20.81	20.76	19.13	19.07

The calculation of basic earnings per ordinary share is calculated based on the Group profit attributable to equity holders of the parent of HK\$40,040,000 (2004 : HK\$36,732,000) divided by the weighted average number of ordinary shares of 192,431,999 (2004 : 192,042,999).

Fully diluted earnings per ordinary share is based on 192,850,999 (2004 : 192,624,999) 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.

Impact of change in accounting policy

Change in the group's accounting policy is described in detail in Note 2 to the financial statements. To the extent that the change has had an impact on results reported for 2005 and 2004, it has had an impact on the amounts reported for earnings per share. The following table summaries that impact on both basis and diluted earnings per share:

	Group			
	2005		2004	
	Basic HK cents	Diluted HK cents	Basic HK cents	Diluted HK cents
Earnings per share before change in accounting policy	21.00	20.95	19.13	19.07
Recognition of share based payments as expenses	(0.19)	(0.19)	–	–
Earnings per share after change in accounting policy	20.81	20.76	19.13	19.07

30 DIVIDENDS

- a) During the financial year ended December 31, 2005, the Company declared and paid a final dividend of 7.5 HK cents per ordinary shares of HK\$0.25 each (tax not applicable), totalling HK\$14,432,000 in respect of the previous financial year 2004 and an interim dividend of 3.5 HK cents per ordinary share of HK\$0.25 each (tax not applicable) totalling HK\$6,736,000 in respect of the financial year just ended.
- b) 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 ended 2004.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

31 MAJOR NON-CASH TRANSACTION

During the financial year, plant and machinery with carrying value of HK\$88,000 (2004 : HK\$2,280,000) were transferred to inventories. The deposit paid for acquisition of property, plant and equipment amounting to HK\$2,746,000 (2004 : HK\$546,000) were transferred to property, plant and equipment.

32 COMMITMENTS

At December 31, 2005, the Company had given corporate guarantees to certain banks in respect of banking facilities granted to several of its subsidiaries to the extent of HK\$47,071,500 (2004 : HK\$46,910,000). At December 31, 2005, the amount of banking facilities utilised by the subsidiaries amounted to approximately HK\$8,248,000 (2004 : HK\$6,908,000).

33 CAPITAL EXPENDITURE COMMITMENTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Estimated amounts committed for future capital expenditure, but not provided for in the financial statements	1,901	2,185
Authorised but not yet contracted for	15,160	15,687

34 OPERATING LEASE ARRANGEMENTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Minimum lease payments under operating leases recognised as an expense in the year	4,947	5,159

At the balance sheet date, the Group has outstanding leasing arrangements for warehouses and cafe shops under non-cancellable operating leases, which fall due as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	3,951	4,028
In the second to fifth year inclusive	1,928	2,347
Total	5,879	6,375

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

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

35 GEOGRAPHICAL AND BUSINESS SEGMENT INFORMATION

Geographical segments

For management purposes, geographical location of the customers of the Group is organised in accordance with the country of operation, 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, 2005 and December 31, 2004 and for the financial years then ended.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and property, plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire property, plant and equipment directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade and other payables and accruals.

Inter-segment transfers: Segment revenue and expenses include transfer between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

Segment information about the group's continuing operations is presented below.

2005

	Hong Kong HK\$'000	PRC HK\$'000	Canada HK\$'000	Total HK\$'000
Revenue from external customers				
Sales of goods	287,906	24,449	4,236	316,591
Operations of café shops and restaurant	3,081	393	–	3,474
	290,987	24,842	4,236	320,065

Segment result from continuing operations

Profit (loss) from operation	53,748	(5,277)	1,091	49,562
Finance cost				(473)
Profit before income tax				49,089
Income tax expense				(9,115)
Profit for the year				39,974

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

35 GEOGRAPHICAL AND BUSINESS SEGMENT INFORMATION (continued)

2005

	Hong Kong HK\$'000	PRC HK\$'000	Canada HK\$'000	Total HK\$'000
Other information				
Capital additions	29,960	2,750	–	32,710
Depreciation	7,231	2,490	80	9,801
Impairment loss on property, plant and equipment	79	608	–	687
Balance sheet				
Segment assets	228,831	31,030	2,748	262,609
Unallocated corporate assets				803
Consolidated total assets				263,412
Segment liabilities	4,397	33,688	296	38,381
Unallocated corporate liabilities				4,205
Consolidated total liabilities				42,586
2004				
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
	271,854	23,348	4,155	299,357
Segment result from continuing operations				
Profit (loss) from operations	51,159	(6,736)	1,300	45,723
Finance cost				(365)
Profit before income tax				45,358
Income tax expense				(9,007)
Profit for the year				36,351

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

35 GEOGRAPHICAL AND BUSINESS SEGMENT INFORMATION (continued)

2004

	Hong Kong HK\$'000	PRC HK\$'000	Canada HK\$'000	Total HK\$'000
Other information				
Capital additions	11,728	3,765	8	15,501
Depreciation	5,008	2,591	79	7,678
Impairment loss on property, plant and equipment	–	1,711	–	1,711
Balance sheet				
Segment assets	209,453	30,101	2,751	242,305
Unallocated corporate assets				62
Consolidated total assets				242,367
Segment liabilities	8,563	27,926	1,134	37,623
Unallocated corporate liabilities				4,206
Consolidated total liabilities				41,829

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, 2005 and 2004 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, 2005 and 2004 and additions to property, plant and equipment for the financial year then ended, analysed by the two business activities:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Sales	252,552	230,351	31,697	11,798
Operation of café shops and restaurant	10,860	12,016	1,013	3,703
	263,412	242,367	32,710	15,501

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the Company as set out on pages 33 to 67 are drawn up 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, 2005, and of the results of the group, changes in equity and cash flows of the Group and changes in equity of the Company 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 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 28, 2006

STATISTICS OF SHAREHOLDINGS

As at March 16, 2006

Authorised share capital	:	HK\$100,000,000
Issued share capital	:	HK\$48,167,999.75
Number of shares issued	:	192,671,999
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	20	3.72	7,118	0.01
1,000 - 10,000	225	41.82	929,481	0.48
10,001 - 1,000,000	283	52.60	18,865,001	9.79
1,000,001 and above	10	1.86	172,870,399	89.72
Total	538	100.00	192,671,999	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Wong's Brothers Consortium Inc.	97,360,591	50.53
2	Snappy Performance Ltd.	39,632,791	20.57
3	UOB Kay Hian Pte. Ltd.	9,655,417	5.01
4	Mitsui & Company (Hong Kong) Limited	9,000,000	4.67
5	Kim Eng Securities Pte. Ltd.	5,347,000	2.78
6	DB Nominees (S) Pte. Ltd.	3,295,000	1.71
7	HSBC (Singapore) Nominees Pte. Ltd.	2,955,600	1.53
8	Morgan Stanley Asia (Singapore) Securities Pte. Ltd.	2,568,000	1.33
9	Yim Chee Chong	2,050,000	1.06
10	Tan Kay Yeong	1,006,000	0.52
11	Yeo Seng Chong	702,000	0.36
12	Ng Goh Hock	660,000	0.34
13	Yim Financial Private Limited	620,000	0.32
14	DBS Nominees Pte. Ltd.	593,600	0.31
15	Phillip Securities Pte. Ltd.	541,200	0.28
16	Ooi Thean Seng Douglas	500,000	0.26
17	Teo Joo Kim	418,000	0.22
18	Lim & Tan Securities Pte. Ltd.	400,000	0.21
19	OCBC Securities Private Ltd.	392,000	0.20
20	Quah Biow Chye	368,000	0.19
Total		178,065,199	92.40

On April 10, 2002, the Company announced that Snappy Performance Limited acquired 400,000 shares in the open market on April 8, 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 in 2004.

STATISTICS OF SHAREHOLDINGS

As at March 16, 2006

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, our director, is also a director 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 March 16, 2006

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 28.55%.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Tsit Wing International Holdings Limited ("the Company") will be held at Opal Room, Level Two, Sheraton Towers, 39 Scotts Road, Singapore 228230 on Friday, April 28, 2006 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, 2005 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, 2005. [Resolution 2]
3. To approve the Directors' fees of up to S\$165,000/- [2005: S\$150,000/-] payable to Mr Chan Chi Chung, Mr Tan Kay Hock and Mr So Kai Lau, Peter for the year ending December 31, 2006. [Resolution 3]
4. To re-elect the following directors retiring pursuant to Bye-Laws 104 and 107(B) of the Company's Bye-Laws:
 - (a) Mr Wong Tat Pui (Bye-Law 104) [Resolution 4(a)]
 - (b) Mr Chan Chi Chung (Bye-Law 104) [Resolution 4(b)]
 - (c) Mr Lam Kong Fuk (Bye-Law 107(B)) [Resolution 4(c)]

Mr Chan Chi Chung will upon re-election as a director of the Company, remain as the Chairman 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.

5. To re-appoint Messrs Deloitte & Touche, Singapore as the Company's Auditors and to authorise the directors to fix their remuneration. [Resolution 5]
6. 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:-

7. (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 (the "Directors") 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."

NOTICE OF ANNUAL GENERAL MEETING

- (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 6]

[See Explanatory Note i]

8. 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 7]

[See Explanatory Note ii]

BY ORDER OF THE BOARD

Tan Cheng Siew

Company Secretary

Singapore, April 5, 2006

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 6, if passed, will empower the Directors 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-ST 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 7, if passed, will empower the Directors, from the date of the above meeting until the next Annual General Meeting, to issue shares up to an amount in aggregate not exceeding 15% of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Share Option Scheme.

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTICE

Under the Companies Act 1981 of Bermuda (as amended) (the “Companies Act”), only those persons who agree to become a shareholder of a Bermuda company and whose names are entered on the register of members of such company may be shareholders, with rights to attend and vote at general meetings. Accordingly, CDP account holders (“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 of the Company and the Companies Act. The proxy form would need to be completed by the Depositor 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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