

Tsit Wing International Holdings Limited

Full Year Financial Statement And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	<u>2002</u>	<u>2001</u>	Increase/ (decrease)
	HK\$' 000	(Proforma) HK\$' 000	%
Revenue	270,970	253,538	6.9
Cost of sales	<u>(137,185)</u>	<u>(129,943)</u>	5.6
Gross profit	133,785	123,595	8.2
Other operating income	1,280	651	96.6
Sales and marketing expenses	(50,174)	(46,893)	7.0
General and administration expenses	(39,059)	(35,596)	9.7
Other operating expenses	<u>(4,563)</u>	-	NA
Profit from operations	41,269	41,757	(1.2)
Finance cost	<u>(317)</u>	<u>(452)</u>	(29.9)
Profit before income tax	40,952	41,305	(0.9)
Income tax	<u>(8,643)</u>	<u>(7,151)</u>	20.9
Profit after income tax	32,309	34,154	(5.4)
Minority interests	<u>2,784</u>	<u>317</u>	NM
Profit attributable to shareholders	<u><u>35,093</u></u>	<u><u>34,471</u></u>	1.8

Explanatory notes:

The proforma group result for the previous year has been prepared on the assumption that the group structure arising from a group re-organisation as described in the prospectus of the Company dated 6 December 2001 had been in place throughout the year; or since the dates of incorporation or formation of the companies in the Group, if later.

NM denotes not meaningful

Profit before income tax has been arrived at after (crediting)/charging:

	<u>Group</u>	
	<u>2002</u>	<u>2001</u>
	HK\$' 000	(Proforma) HK\$' 000
Interest income from non-related companies	(1,280)	(651)
Interest expense to non-related companies	317	452
Provision for contingent loss on land deposit	2,500	-
Land survey fee written off	69	-
Foreign exchange (gain) loss	(386)	642
Impairment loss on property, plant and equipment	1,029	-
Loss on disposal of property, plant and equipment	18	31
Depreciation expense	6,618	5,790
Allowance for doubtful trade receivables	1,716	1,339
Allowance for inventories	552	36

The group's tax charge for financial year 2002 included overprovision of HK\$49,000 in respect of prior years (2001: underprovision of HK\$760,000).

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
<u>ASSETS</u>				
Current assets:				
Cash	88,965	62,636	34,577	47,410
Trade receivables	34,222	35,382	-	-
Other receivables and prepayments	6,852	7,579	2,513	6,237
Inventories	<u>38,846</u>	<u>46,260</u>	-	-
Total current assets	<u>168,885</u>	<u>151,857</u>	<u>37,090</u>	<u>53,647</u>
Non-current assets:				
Subsidiaries	-	-	96,915	78,563
Property, plant and equipment	34,285	29,133	-	-
Deposits paid for acquisition of property, plant and equipment	206	3,965	-	-
Total non-current assets	<u>34,491</u>	<u>33,098</u>	<u>96,915</u>	<u>78,563</u>
Total assets	<u>203,376</u>	<u>184,955</u>	<u>134,005</u>	<u>132,210</u>

	<u>Group</u>		<u>Company</u>	
	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities:				
Trust receipt loans and overdrafts	3,631	6,208	-	-
Trade payables	21,279	17,574	-	-
Other payables	13,013	12,596	2,615	3,338
Income tax payable	<u>2,192</u>	<u>3,131</u>	<u>126</u>	<u>-</u>
Total current liabilities	<u>40,115</u>	<u>39,509</u>	<u>2,741</u>	<u>3,338</u>
Non-current liability:				
Deferred income tax	<u>1,614</u>	<u>-</u>	<u>-</u>	<u>-</u>
Minority interests				
	<u>8,489</u>	<u>11,274</u>	<u>-</u>	<u>-</u>
Capital and reserves:				
Issued capital	40,000	40,000	40,000	40,000
Share premium	28,225	28,225	28,225	28,225
Contributed surplus	48,563	48,563	48,563	48,563
Translation reserve	42	149	-	-
Accumulated profits	<u>36,328</u>	<u>17,235</u>	<u>14,476</u>	<u>12,084</u>
Total equity	<u>153,158</u>	<u>134,172</u>	<u>131,264</u>	<u>128,872</u>
Total liabilities and equity	<u>203,376</u>	<u>184,955</u>	<u>134,005</u>	<u>132,210</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 December 2002		As at 31 December 2001	
Secured HK\$	Unsecured HK\$	Secured HK\$	Unsecured HK\$
-	3,630,669	-	6,208,388

Amount repayable after one year

As at 31 December 2002		As at 31 December 2001	
Secured HK\$	Unsecured HK\$	Secured HK\$	Unsecured HK\$
-	-	-	-

Details of any collateral

Not Applicable

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	<u>2002</u>	<u>Group</u> <u>2001</u> (Proforma)
	HK\$' 000	HK\$' 000
Cash flows from operating activities:		
Profit before income tax	40,952	41,305
Adjustments for:		
Depreciation expense	6,618	5,790
Interest expense	317	452
Allowance for inventories	552	36
Allowance for doubtful trade receivables	1,716	1,339
Provision for land deposit	2,500	-
Impairment loss on property, plant and equipment	1,029	-
Loss on disposal of plant and equipment	18	31
Interest income	<u>(1,280)</u>	<u>(651)</u>
Operating profit before working capital changes	52,422	48,302
(Increase) in trade receivables	(556)	(4,200)
(Increase) Decrease in other receivables and prepayments	(1,773)	1,859
Decrease (Increase) in inventories	7,865	(7,062)
Increase (Decrease) in trade payables	3,705	(1,368)
Increase in other payables	<u>417</u>	<u>1,900</u>
Cash generated from operations	62,080	39,431
Dividend paid	(16,000)	(14,900)
Interest paid	(317)	(452)
Interest received	1,280	651
Income tax paid	<u>(7,968)</u>	<u>(6,110)</u>
Net cash from operating activities	<u>39,075</u>	<u>18,620</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(10,165)	(11,340)
Deposits paid for acquisition of property, plant and equipment	-	(3,964)
Proceeds from disposal of property, plant and equipment	<u>118</u>	<u>89</u>
Net cash used in investing activities	<u>(10,047)</u>	<u>(15,215)</u>
Cash flows from financing activities:		
Proceeds from trust receipt loans	39,536	37,243
Net proceeds from issue of shares by way of public offer	-	38,225
Repayment of trust receipt loans	<u>(41,280)</u>	<u>(36,411)</u>
Net cash (used in) from financing activities	<u>(1,744)</u>	<u>39,057</u>
Net effect of exchange rate changes in consolidating subsidiaries	<u>(122)</u>	<u>243</u>
Net increase in cash and cash equivalent	27,162	42,705
Cash at beginning of the year	<u>61,803</u>	<u>19,098</u>
Cash at end of the year	<u>88,965</u>	<u>61,803</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Issued Capital	Share Premium	Contributed Surplus	Translation Reserve	Accumulated Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group						
Issue of shares on incorporation	100	-	-	-	-	100
Issue of shares pursuant to Restructuring Exercise	29,900	-	-	-	-	29,900
Arising from Restructuring Exercise	-	-	48,563	-	-	48,563
Issue of shares by way of Public offer	10,000	39,153	-	-	-	49,153
Expenses incurred in Connection with the issue Of shares	-	(10,928)	-	-	-	(10,928)
Currency translation differences	-	-	-	149	-	149
Net profit for the period	-	-	-	-	17,235	17,235
Balance at 31 Dec 2001	40,000	28,225	48,563	149	17,235	134,172
Currency translation differences	-	-	-	(107)	-	(107)
Net Profit for the year	-	-	-	-	35,093	35,093
Dividend paid	-	-	-	-	(16,000)	(16,000)
Balance at 31 Dec 2002	40,000	28,225	48,563	42	36,328	153,158

	Issued Capital	Share Premium	Contributed Surplus	Translation Reserve	Accumulated Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company						
Issue of shares on incorporation	100	-	-	-	-	100
Issue of shares pursuant to Restructuring Exercise	29,900	-	-	-	-	29,900
Arising from Restructuring Exercise	-	-	48,563	-	-	48,563
Issue of shares by way of Public offer	10,000	39,153	-	-	-	49,153
Expenses incurred in Connection with the issue Of shares	-	(10,928)	-	-	-	(10,928)
Net profit for the period	-	-	-	-	12,084	12,084
Balance at 31 Dec 2001	40,000	28,225	48,563	-	12,084	128,872
Net Profit for the year	-	-	-	-	18,392	18,392
Dividend paid	-	-	-	-	(16,000)	(16,000)
Balance at 31 Dec 2002	40,000	28,225	48,563	-	14,476	131,264

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There was no change in the Company's share capital during the year of 2002.

2. **Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited or reviewed by our auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with those of the audited financial statements as at December 31, 2001.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	2002	2001
Based on the weighted average number of ordinary shares in issue; and	21.9 HK cents	28.3 HK cents
On a fully diluted basis	21.9 HK cents	N/A

Notes:

The basic earnings per share for the financial year 2002 is based on the group's profit attributable to shareholders divided by the weighted average number of ordinary shares of 160,000,000 (2001: 121,972,603) in issue during the year.

The fully diluted earnings per share for the financial year 2002 is based on the profit attributable to shareholders divided by the weighted average number of ordinary shares of 160,016,000 (2001: N/A) in issue during the year.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	2002	2001	2002	2001
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	95.7 HK cents	83.9 HK cents	82.0 HK cents	80.5 HK cents

Notes

The net asset backing per ordinary share as at 31 December 2002 is based on the issued share capital of 160,000,000 (2001: 160,000,000) shares as at that date.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Despite the difficult economic conditions in the Asia Pacific region, Tsit Wing achieved a credible performance in FY2002 with our turnover and our profit attributable to shareholders both attaining a further year of growth.

Catering Segment

In HK, our catering business continued to expand by 9.5% attributable to the increases in the sales of coffee and tea by 2.7% and 6.8% respectively as well as the encouraging rise of 29.4% in grocery supply as a result of the strategy to diversify our grocery supply to existing customers in particular those fast food chains like McDonald's. Our Canadian market recorded a small drop of 0.7% or approximately C\$4,400 in its catering business but its coffee and tea sales still gained further by 2.1% and 6.4% respectively. In the PRC, our catering sales decreased by 12.8% or HK\$2.2 million. Altogether, our turnover increased by 7.6% or HK\$17.3 million in this important sector.

FMCG Business

Our FMCG business improved its sales by 1.8% or HK\$0.4 million to HK\$18.3 million. In terms of products, the sales of 3-in-1 coffee and tea increased by 14.5%. TW canned Milk Tea rose by 5.0% and TW canned Yuan Yang, which was launched in December last year, recorded additional sales of HK\$1.5 million. On the contrary, there was a drop of HK\$0.5 million or 17.9% in the sales of our TW canned Coffee mainly due to its unsatisfactory performance in the convenience stores. The sales of Bottled Soluble Coffee, for which we act as a sole distributor in the PRC, declined by 64% or HK\$2.1 million owing to a lack of financial support from the principal in advertising and promotion. In Canada, the newly launched FMCG products generated total income of HK\$0.4 million.

Café Operations

Our three cafés in HK generated a total income of HK\$9.2 million representing a slight decrease of 1.6% in turnover. We saw the number of customers diminish during afternoon teatime mainly due to the weak consumer spending and the intense competition. In the PRC, a market study for operating a new café chain in Shanghai was completed during the year and it was initially planned to open new shops latest by the fourth quarter of FY2002. However, we postponed the shop opening schedule to FY2003 as we were unable to locate suitable shop premises at reasonable rental.

Geographical Markets

Hong Kong market contributed 91.4% of our total turnover whilst the PRC and Canada operations accounted for 7.3% and 1.3% respectively. Our business growth in Hong Kong is still encouraging given the turnover increase of 9.5% or HK\$21.5 million. Our Canadian market continued to grow steadily at 6.0%. Our PRC turnover declined by 17.5% or HK\$4.2 million in accordance with our expectation due to the transition of making changes to our distribution channels in the PRC as previously announced.

Operating Expenses

Our total operating expenses increased by 13.5% or HK\$11.2 million to HK\$94.1 million, including Other Operating Expenses of HK\$4.6 million. Should the Other Operating Expenses be excluded, the total expenses would be reduced to HK\$89.5 million representing an increase of 8% or HK\$6.6 million. For details of these Other Operating Expenses, please refer to note 14.

Profit Before Taxation

Profit before taxation slightly decreased by 0.9% or HK\$0.3 million mainly due to the Other Operating Expenses of HK\$4.6 million. Should these expenses be excluded, our profit before taxation would become HK\$45.5 million representing an increase of 10.2% or HK\$4.2 million from the HK\$41.3 million of last year.

While our Hong Kong and Canadian markets remained profitable and growing, our PRC operation incurred a loss of HK\$6.9 million, which included an expense of HK\$1.0 million incurred for the market study of the café chain and a loss of HK\$5.9 million of the operation in Zhuhai, China resulting from the restructuring of the distribution channels and the provision for unrecoverable land deposit. The operating loss of our FMCG business increased from HK\$0.2 million to HK\$2.1 million due to more large-scale advertising and promotion campaigns during the year, from which long-term benefit to the business is expected. Our café business in HK recorded a loss of HK\$0.9 million as a consequence of the impairment of fixed assets of HK\$1.0 million.

Taxation

Income tax for the year was HK\$8.6 million, which included deferred tax of HK\$1.6 million for the excess of tax allowance over depreciation and other timing differences. As compared with last year, there was an increase of 20.9% due to the improvement of our operating profit derived from Hong Kong. Our Canadian operations became liable for income tax payment subsequent to the lapse of the tax losses brought forward from previous years.

Financial Position

The financial position of the Group remained strong because our continuous profitability has brought in cash flow progressively and we were able to finance our substantial purchases of production plant and equipments through the IPO proceeds generated in December 2001.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

As mentioned in the last Half Yearly Financial Statement and Dividend Announcement, the directors expect the Group to remain profitable. The results for the year are in line with the announcement made previously.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Our result for 2002 demonstrates our Group's strength although Hong Kong is in its economic trough.

The economic integration of Hong Kong and the Greater Pearl River Delta will help Hong Kong's recovery with increase in exchange of goods and services. Currently the delta area is the manufacturing powerhouse of the world. In 2002, the surge of goods from Guangdong province has lifted overall business at Hong Kong port to a record volume of 19 million containers. We believe that the economic integration of Hong Kong and the Greater Pearl River Delta will benefit Hong Kong as well as our Group in coffee and tea supply, packaged coffee and tea products as well as coffee shop.

In our catering sector in Hong Kong, all our key product lines increase with our own brands of grocery items performing particularly well due primarily to our branding campaigns and well-established sales network. We will continue to focus on this core competence and we will maximize our potential by developing more value-added products and services to the customer. In China, changes to our marketing and distribution models are well in place and we are confident that the situation will improve as we rebuild our systems and sales network in 2003.

The success of FMCG business requires effective branding strategy. Our key priority currently is to grow our critical mass and to enhance our economies of scale. Resources will be allocated to enhance brand awareness and product trial. Defining total brand value, establishing appropriate brand identity and identifying relevant target segments are our key strategic tasks. Consistent with global trends, the Group will focus on the casual beverage category as consumers everywhere are increasing their consumption in this category.

The entry of international café chains has created awareness on western style café. We will grasp this market opportunity and open more café outlets in 2003. A new strategic positioning has been developed to differentiate ourselves from some of the café shops being operated in the market, both in Hong Kong and China.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	10% per ordinary share or 2.5 HK cents per Ordinary share tax not applicable
Par value of shares	HK\$0.25
Tax Rate	n/a

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	22% per ordinary share or 5.5 HK cents per Ordinary share tax not applicable
Par value of shares	HK\$0.25
Tax Rate	n/a

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	30% per ordinary share or 7.5 HK cents per Ordinary share tax not applicable
Par value of shares	HK\$0.25
Tax Rate	n/a

(c) Date payable

If approved by shareholders at the Annual General Meeting to be held on 16th May 2003, the final dividend will be paid on 6th June 2003

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 23rd May 2003 on which day no share transfer will be effected. Duly completed transfers received by the Company's Share Transfer Agent, Lim Associates (Private) Limited of 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315 up to the close of business at 5.00 p.m. on 22nd May 2003 will be registered to determine shareholders' entitlements to the proposed dividend.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Geographical segments

**Profit and loss statement
Financial year ended
December 31, 2002**

	<u>Hong Kong</u> HK\$' 000	<u>PRC</u> HK\$' 000	<u>Canada</u> HK\$' 000	<u>Total</u> HK\$' 000
Revenue				
Sales of goods	238,439	19,909	3,408	261,756
Operations of café shops and restaurant	9,214	-	-	9,214
	<u>247,653</u>	<u>19,909</u>	<u>3,408</u>	<u>270,970</u>
Profit from operations	47,273	(6,778)	774	41,269
Finance cost	(178)	(139)	-	(317)
Profit before income tax	47,095	(6,917)	774	40,952
Income tax	(8,310)	(14)	(319)	(8,643)
Profit after income tax	38,785	(6,931)	455	32,309
Minority interest	-	2,784	-	2,784
Profit attributable to the shareholders of the Group	<u>38,785</u>	<u>(4,147)</u>	<u>455</u>	<u>35,093</u>
Other information				
Capital additions	13,216	708	-	13,924
Depreciation	<u>4,448</u>	<u>2,117</u>	<u>53</u>	<u>6,618</u>
Balance sheet				
Segment assets	179,522	20,110	3,744	203,376
Segment liabilities	<u>32,926</u>	<u>12,941</u>	<u>4,351</u>	<u>50,218</u>

Profit and loss statement
Financial year ended
December 31, 2001 (Proforma)

	<u>Hong Kong</u> HK\$' 000	<u>PRC</u> HK\$' 000	<u>Canada</u> HK\$' 000	<u>Total</u> HK\$' 000
Revenue				
Sales of goods	216,832	24,126	3,215	244,173
Operations of café shops and restaurant	<u>9,365</u>	<u>-</u>	<u>-</u>	<u>9,365</u>
	<u>226,197</u>	<u>24,126</u>	<u>3,215</u>	<u>253,538</u>
Profit from operations	40,853	370	534	41,757
Finance cost	<u>(262)</u>	<u>(190)</u>	<u>-</u>	<u>(452)</u>
Profit before income tax	40,591	180	534	41,305
Income tax	<u>(6,272)</u>	<u>(857)</u>	<u>(22)</u>	<u>(7,151)</u>
Profit after income tax	34,319	(677)	512	34,154
Minority interest	<u>-</u>	<u>317</u>	<u>-</u>	<u>317</u>
Profit attributable to the shareholders of the Group	<u>34,319</u>	<u>(360)</u>	<u>512</u>	<u>34,471</u>
Other information				
Capital additions	7,757	3,549	34	11,340
Depreciation	<u>3,793</u>	<u>1,929</u>	<u>68</u>	<u>5,790</u>
Balance sheet				
Segment assets	153,444	27,748	3,763	184,955
Segment liabilities	<u>29,507</u>	<u>16,433</u>	<u>4,843</u>	<u>50,783</u>

For management purposes, geographical location of the customers of the Group is organised in accordance with their group of companies' country of origin, which principally comprises of Hong Kong, The People's Republic of China and Canada.

Industry Segments

The group principally engages in the processing of coffee beans, distribution of coffee, tea and related products as well as the operation of café shops and restaurant and most of the assets of the group are deployed in these operations. Accordingly, the revenue and profit of the group are derived substantially from this industry segment.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

We believe that separate disclosure of these Other Operating Expenses is relevant to explain the Group's performance for FY2002: -

Land Deposit & Survey Fee

Subsequent to our previous interim announcement of results, the directors are of the opinion that, although the court case is still in progress, it is possible for the minority shareholder of TW Zhuhai, Zhuhai Hua Sheng Enterprise (Group) Ltd., to lose ultimately and be forced into liquidation. It would therefore, be prudent for the Company to make a provision for the possibly unrecoverable deposit of RMB2.7 million (HK\$2.5 million) and to write off the survey fee of RMB 74,663 (HK\$69,132).

Market Study Cost.

To better prepare for the development of a new café chain in the PRC, we contracted an outside consultant to carry out a market study in Shanghai at a total cost of HK\$965,219. Although the time schedule for opening new café in Shanghai has been postponed to FY2003, the research expenses were fully written off to the profit and loss statements in FY2002.

Café in Hong Kong.

Our café restaurant in Tsim Sha Tsui was opened in year 2000 under a tenancy term of 5 years with the first 3 years being fixed period and the last 2 years being optional subject to a rental increment. Given the existing weak market, we tried to negotiate with the landlord a rental reduction for the optional period but in vain. As the café restaurant has been operating at a loss and turnaround is not expected, we decided to close the restaurant in February 2003. An impairment on assets of approximately HK\$1.0 million was therefore, made in the accounts for the shop decoration and other non-reusable equipments.

15. A breakdown of sales

Group			
	2002	2001 (Proforma)	Increase/ (Decrease)
	HK\$'000	HK\$'000	%
(a) Sales reported for the first half year	133,313	122,477	8.8
(b) Operating profit after tax before deducting minority interests reported for the first half year	18,220	17,292	5.4
(c) Sales reported for the second half year	137,657	131,061	5.0
(d) Operating profit after tax before deducting minority interests reported for the second half year	14,089	16,862	(16.4)

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Year (HK\$' 000)	Previous Year (HK\$' 000)
Ordinary (interim)	4,000	-
Ordinary (final)	8,800	12,000
Preference	<u>-</u>	<u>-</u>
Total:	<u>12,800</u>	<u>12,000</u>

BY ORDER OF THE BOARD

Mr. Wong Tat Tong @ Wong Tak Tong
Chairman and Managing Director
18 March 2003