

## Tsit Wing International Holdings Limited

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### Full Year Financial Statement And Dividend Announcement for the Period Ended 31/12/2003

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#### 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>Group</u>		<u>Inc / (dec)</u>	<u>Group</u>		<u>Inc / (dec)</u>
	<u>12 months ended 31/12/2003</u>	<u>12 months ended 31/12/2002</u>		<u>3 months ended 31/12/2003</u>	<u>3 months ended 31/12/2002</u>	
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Revenue</b>	268,964	270,970	(0.7)	71,360	69,493	2.7
<b>Cost of sales</b>	(136,571)	(137,185)	(0.4)	(35,671)	(34,143)	4.5
<b>Gross profit</b>	<u>132,393</u>	<u>133,785</u>	(1.0)	<u>35,689</u>	<u>35,350</u>	1.0
Other operating income	1,632	1,280	27.5	541	307	76.2
Operating expenses						
Sales & marketing	(44,976)	(50,174)	(10.4)	(11,931)	(12,189)	(2.1)
General & administration	(42,297)	(39,059)	8.3	(11,691)	(10,069)	16.1
Other operating expenses	-	(4,563)	NA	-	(4,563)	NA
<b>Profit from operations</b>	<u>46,752</u>	<u>41,269</u>	13.3	<u>12,608</u>	<u>8,836</u>	42.7
Finance cost	(213)	(317)	(32.8)	(44)	(53)	(17.0)
<b>Profit before income tax</b>	<u>46,539</u>	<u>40,952</u>	13.6	<u>12,564</u>	<u>8,783</u>	43.0
Income tax	(9,446)	(8,643)	9.3	(2,328)	(3,043)	(23.5)
<b>Profit after income tax</b>	<u>37,093</u>	<u>32,309</u>	14.8	<u>10,236</u>	<u>5,740</u>	78.3
Minority interests	<u>1,502</u>	<u>2,784</u>	(46.0)	<u>657</u>	<u>1,808</u>	(63.7)
<b>Profit attributable to shareholders</b>	<u>38,595</u>	<u>35,093</u>	10.0	<u>10,893</u>	<u>7,548</u>	44.3

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

	<u>Group</u>		<u>Group</u>	
	<u>12 months ended</u>	<u>12 months ended</u>	<u>3 months ended</u>	<u>3 months ended</u>
	<u>31/12/2003</u>	<u>31/12/2002</u>	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from non-related companies	(1,632)	(1,280)	(541)	(364)
Interest expense to non-related companies	213	317	44	53
Provision for contingent loss on land deposit	-	2,500	-	2,500
Impairment loss on property, plant and equipment	-	1,029	-	1,029
Foreign exchange (gain) loss	(832)	(386)	41	(61)
Loss on disposal of property, plant & equipment	26	18	16	17
Depreciation expense	6,362	6,618	1,690	1,647
Allowance for doubtful trade receivables	1,722	1,716	173	1,291
Allowance for inventories	592	552	435	89

**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>31/12/2003</u>	<u>31/12/2002</u>	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b><u>ASSETS</u></b>				
<b>Current assets:</b>				
Cash	71,792	88,965	13,528	34,577
Other Investments (note a)	2,639	-	-	-
Trade receivables	37,364	34,222	-	-
Other receivables and prepayments	6,047	6,852	2,773	2,513
Inventories	33,469	38,846	-	-
Total current assets	<u>151,311</u>	<u>168,885</u>	<u>16,301</u>	<u>37,090</u>
<b>Non-current assets:</b>				
Subsidiaries	-	-	123,002	96,915
Property, plant and equipment	36,610	34,285	-	-
Deposits paid for acquisition of property, plant and equipment	835	206	-	-
Other Investments (note a)	37,563	-	-	-
Deferred tax assets	115	-	-	-
Total non-current assets	<u>75,123</u>	<u>34,491</u>	<u>123,002</u>	<u>96,915</u>
<b>Total assets</b>	<u><u>226,434</u></u>	<u><u>203,376</u></u>	<u><u>139,303</u></u>	<u><u>134,005</u></u>

Note (a): Other investments represent certificate of deposits, notes and other deposits placed with licensed banks and other financial institutions. These investments are principal-guaranteed and interest bearing and are intended to be held to maturity ranging from 1 to 5 years.

	<u>Group</u>		<u>Company</u>	
	<u>31/12/2003</u>	<u>31/12/2002</u>	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities:</b>				
Trust receipt loans	6,480	3,631	-	-
Trade payables	20,828	21,279	-	-
Other payables	10,030	13,013	2,888	2,615
Income tax payable	3,140	2,192	239	126
Total current liabilities	<u>40,478</u>	<u>40,115</u>	<u>3,127</u>	<u>2,741</u>
<b>Non-current liabilities:</b>				
Deferred income tax	<u>2,191</u>	<u>1,614</u>	-	-
<b>Minority interests</b>				
	<u>6,987</u>	<u>8,489</u>	-	-
<b>Capital and reserves:</b>				
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	(533)	42	-	-
Accumulated profits	60,523	36,328	19,388	14,476
Total equity	<u>176,778</u>	<u>153,158</u>	<u>136,176</u>	<u>131,264</u>
<b>Total liabilities and equity</b>	<u>226,434</u>	<u>203,376</u>	<u>139,303</u>	<u>134,005</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 2003		As at 31 December 2002	
Secured	Unsecured	Secured	Unsecured
HK\$	HK\$	HK\$	HK\$
-	6,480,444	-	3,630,669

**Amount repayable after one year**

As at 31 December 2003		As at 31 December 2002	
Secured	Unsecured	Secured	Unsecured
HK\$	HK\$	HK\$	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>Group</u>		<u>Group</u>	
	12 months ended	12 months ended	3 months ended	3 months ended
	<u>31/12/2003</u>	<u>31/12/2002</u>	<u>31/12/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities:</b>				
Profit before income tax	46,539	40,952	12,564	8,783
Adjustments for:				
Depreciation	6,362	6,618	1,690	1,647
Interest expense	213	317	44	53
Allowance for inventories	592	552	435	89
Allowance for doubtful trade receivables	1,722	1,716	173	1,291
Provision for land deposit	-	2,500	-	2,500
Impairment loss on property, plant and equipment	-	1,029	-	1,029
Loss on disposal of plant and equipment	26	18	16	17
Interest income	(1,632)	(1,280)	(541)	(364)
Operating profit before working capital changes	53,822	52,422	14,381	15,045
Decrease (Increase) in				
- trade receivables	(4,864)	(556)	(3,185)	(1,507)
- other receivables & prepayments	805	(1,773)	1,465	(322)
- inventories	6,003	7,865	(1,342)	(2,513)
(Decrease) Increase in				
- trade payables	(451)	3,705	6,429	6,122
- other payables	(2,983)	417	(2,101)	716
Cash generated from operations	52,332	62,080	15,647	17,541
Dividend paid	(14,400)	(16,000)	-	-
Interest paid	(213)	(317)	(44)	(53)
Interest received	1,632	1,280	541	364
Income tax paid	(8,119)	(7,968)	(6,055)	(5,726)
Net cash from operating activities	<u>31,232</u>	<u>39,075</u>	<u>10,089</u>	<u>12,126</u>
<b>Cash flows from investing activities:</b>				
Purchase of property, plant and equipment	(9,756)	(10,165)	(2,659)	(2,525)
Deposits paid for acquisition of property, plant & equipment	(711)	-	(546)	732
Proceeds from disposal of property, plant & equipment	71	118	20	102
Other Investments	(40,202)	-	(40,202)	-
Net cash used in investing activities	<u>(50,598)</u>	<u>(10,047)</u>	<u>(43,387)</u>	<u>(1,691)</u>
<b>Cash flows from financing activities:</b>				
Trust receipt loans				
Proceeds	44,340	39,536	10,875	8,868
Repayment	(41,491)	(41,280)	(11,083)	(10,083)
Net cash from (used in) financing activities	<u>2,849</u>	<u>(1,744)</u>	<u>(208)</u>	<u>(1,215)</u>
Net effect of exchange rate changes in consolidating subsidiaries	(656)	(122)	(130)	(49)
Net (decrease) increase in cash	<u>(17,173)</u>	<u>27,162</u>	<u>(33,636)</u>	<u>9,171</u>
Cash at beginning of the year	88,965	61,803	105,428	79,794
<b>Cash at end of the year</b>	<u><u>71,792</u></u>	<u><u>88,965</u></u>	<u><u>71,792</u></u>	<u><u>88,965</u></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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Issued Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Translation Reserve HK\$'000	Accumulated Profits HK\$'000	Total HK\$'000
<b>Group</b>						
Balance at 1 Jan 2002	40,000	28,225	48,563	149	17,235	134,172
Currency translation						
Differences	-	-	-	(107)	-	(107)
Net profit for the period	-	-	-	-	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
Currency translation						
Differences	-	-	-	(575)	-	(575)
Net profit for the period	-	-	-	-	38,595	38,595
Dividend paid	-	-	-	-	(14,400)	(14,400)
Balance at 31 Dec 2003	40,000	28,225	48,563	(533)	60,523	176,778

	Issued Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Accumulated Profits HK\$'000	Total HK\$'000
<b>Company</b>					
Balance at 1 Jan 2002	40,000	28,225	48,563	12,084	128,872
Net profit for the period	-	-	-	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
Net profit for the period	-	-	-	19,312	19,312
Dividend paid	-	-	-	(14,400)	(14,400)
Balance at 31 Dec 2003	40,000	28,225	48,563	19,388	136,176

**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 throughout the financial year and the fourth quarter of years 2002 and 2003.

**2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

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' most recently audited annual financial statements have been applied**

The group has applied the same accounting policies and methods of computation in the financial statement for the current reporting period compared with those of the audited financial statements as at December 31, 2002 except the provision for deferred tax.

**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-**

In compliance with the newly implemented Hong Kong Statement of Standard Accounting Practice ("SSAP") no. 12, deferred tax provision of the Hong Kong incorporated subsidiaries for the current reporting period was adjusted accordingly.

In the past, only items affecting the income statement were considered and a partial provision approach could be adopted by these subsidiaries. The revised Standard focuses on the balance sheet by recognizing the tax effects of temporary differences in respect of all assets and liabilities and full provision is required subject to very limited exceptions. Hence, a deferred tax provision of HK\$0.5 millions was made in relation to the change in the accounts of the subsidiaries for the whole year of 2003, which is included in the consolidated financial statements of the group for the year ended 31/12/2003. This change in accounting policy is not adopted retrospectively as the amount relating to prior years was HK\$0.19 millions, which is not material.

**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**

	12 months ended 31/12/2003	12 months ended 31/12/2002	3 months ended 31/12/2003	3 months ended 31/12/2002
Based on the weighted average number of ordinary shares in issue, and on a fully diluted basis	24.12 HK cents	21.93 HK cents	6.81 HK cents	4.71 HK cents
	24.09 HK cents	21.93 HK cents	6.80 HK cents	4.71 HK cents

Notes:

The basic earnings per share for the whole year of 2003 and 2002 and the fourth quarter of financial years 2003 and 2002 are based on the group's profit attributable to shareholders divided by the number of ordinary shares of 160,000,000 in issue during the period.

The fully diluted earnings per share for the whole year of 2003 and the fourth quarter of financial year 2003 are based on the profit attributable to shareholders divided by the adjusted number of ordinary shares of 160,239,000 and 160,103,000 respectively (2002: 160,016,000) in issue during the period.

- 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	
	31/12/2003	31/12/2002	31/12/2003	31/12/2002
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	110.5 HK cents	95.7 HK cents	85.1 HK cents	82.0 HK cents

Notes

The net asset backing per ordinary share as at 31 December 2003 and 2002 are based on the issued share capital of 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. It must include a discussion of the following: -**
- (a) 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; and**
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

We have overcome the attack of SARS and successfully made FY2003 another year of profitability and growth.

Our 4Q turnover increased from HK\$69.5 million to HK\$71.4 million this year representing a growth of 2.7% whilst our quarterly profit before tax surged from HK\$8.8 million to HK\$12.6 million, a rise of 43.0%. This was mainly due to the other operating expenses of HK\$4.6 million of last year but did not recur this year.

For the whole year of 2003, our total turnover and profit before tax reached HK\$268.9 million and HK\$46.5 million respectively. Although our turnover dropped slightly by 0.7%, our profit before tax increased by 13.6%. Should we eliminate the other operating expenses of HK\$4.6 million incurred last year from the comparison, our profit before tax still grew by 2.3%.

## **Catering**

Our catering supply business remained dominant in our Group and it was very encouraging to see this business recover quickly from SARS and continued to grow over the year. During the SARS period, we suffered a turnover decrease of 2.0%, but we subsequently accomplished an annual increase of 1.8%. The magic of the turnaround was not only attributable to our leadership position in the coffee and tea supply, which enabled us to regain most of the sales shortfalls quickly, but also our strategy to expand our range of grocery products offered to our existing customers which saw an increase in turnover by 15.4% compared to last year.

While our 3 geographical markets namely HK, PRC and Canada, all reported annual growth in their catering supply business, our further analysis revealed that the growth figure of Canada was virtually an outcome of the strong Canadian dollars. If we uplifted the exchange effect, the catering sales there dropped by 7.4%. Other than the impact of SARS, the decrease was mainly due to our cessation of selling Lipton tea leaves in March this year when the international supplier of Lipton tea set up its own office to act as the sole distributor in Canada. However, its impact on profit was not significant because sales of Lipton tea only generated comparatively lower margins.

## **Fast Moving Consumer Goods (“FMCG”)**

Our total FMCG sales decreased by 2.7% from HK\$18.3 million of last year to HK\$17.8 million and ended up with an operating loss of HK\$2.6 million representing an increase of HK\$0.5 million. For this business, we incurred total operating expenses of HK\$12.6 million this year, which was HK\$1.7 million more than last year mainly due to the advertising and promotion (“A&P”) expenses spent for the launch of the new canned drink - Tamarind Tea, the various promotions conducted to expand the market share of our 3-in-1 series as well as the offers of deep discounts to sustain the sales of those items not in demand. We have also employed additional staff to strengthen our merchandising and trade marketing functions.

The sales of our 3-in-1 series grew by 11.4% from HK\$11.4 million to HK\$12.7 million this year while our canned drink series dropped by 26.8% from HK\$5.6 million to HK\$4.1 million. We believe the drop was attributable to our brand being new and as compared to others was not strong enough to stimulate the impulse purchases of consumers especially those youngsters. In the PRC, our 4Q sales decreased significantly due to goods returned from distributors/supermarkets who were unable to clear their stock during the SARS period. Part of the returns was for the exchange of some expiring stocks with freshly produced goods and these exchanges were necessary to ensure that our products sold in the market are of good quality. The sales of the Bottled Soluble Coffee, which we import from the Latin America and acted as the sole distributor in the PRC, also declined by 46% mainly due to SARS and a lack of A&P funds from the supplier.

## **Café**

Our café business in HK recorded a decrease of 65.7% in turnover and a total operating loss of HK\$0.12 million during the year. Due to the expiry of the tenancy agreement, our café restaurant located in Tsimshatsui closed in February 2003, for which staff redundancy and severance payment of approximately HK\$0.2 million were incurred.

Our PRC café business generated sales revenue of HK\$0.17 million since the opening of its first shop in July and, as projected, incurred an operating loss of almost HK\$2.0 million in its initial year of operation. As we previously reported, our first “Sallsa Café” in Shanghai was located in the Super Brand Mall, in which most shops had not

commenced business according to their original time schedule. Hence, we shall continue to conduct promotional activities to boost the shop revenue and endeavor to negotiate with the landlord for rental reduction.

### **Geographical Markets**

Our Hong Kong and Canadian markets remained profitable while our PRC business still operated at a loss.

In PRC, our manufacturing and wholesale business are transacted through our Zhuhai subsidiary, which incurred a loss of HK\$3.2 million this year or 45.8% less than the last year loss of HK\$5.9 million. However, in FY2002, we made a provision for the land deposit amounting to HK\$2.5 million and should this provision be ignored, the loss would be adjusted to HK\$3.4 million. Comparing it with the FY2003 results, we found the loss of this year narrowed down by HK\$0.2 million or 5.9%. In spite of the SARS attack, we managed to maintain our total sales in the PRC at HK\$19.9 million, a level similar to FY2002, and improved our gross profit margins by 4 percentage points through tight control over material purchases and enhancement of production efficiency. However, before the outbreak of SARS, we anticipated greater sales and therefore, expanded our sales head count and upgraded our regional representative offices to more costly sales branches. These led to an increase in our operating overheads and despite our effort to cut down expenses during the SARS period, our overheads still increased by 7.9% to HK\$12.6 million resulting in another year of loss in operation.

### **Financial Position**

The financial position of the Group remained strong because our continuous profitability has brought in cash flow progressively. At present, we are not aware of any material factors that will significantly affect our cash flow and working capital.

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

Not Applicable

**A Commentary at the date of the announcement of the significant trends and 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**

2003 was a painful year for Hong Kong. Subsequent to several years of high unemployment, unstable GDP growth and deflation, the outbreak of SARS in March 2003 had further driven the Hong Kong economy into crisis. With consumer spending and tourist visit dropping significantly, all sectors of the Hong Kong economy, especially the hotel and catering sectors were badly hit resulting in an overall very poor public sentiment toward the future of Hong Kong.

Despite all the hardship and crisis in 1st half of 2003, our group was able to manage the crisis properly. Our dedicated team worked very closely with all our customers to ensure a smooth provision of our services and products during this difficult period and we trimmed down our marketing and sales activities to minimize the operating expenses, including the delay of our café development in both China and Hong Kong.

After the SARS crisis, the Mainland Chinese Government provided economic support to Hong Kong through CEPA (Closer Economic Partnership Arrangement) and Mainland Individual Tourist Visit Arrangement. Together with the support from both the private and public sectors such as defer of loan and interests repayment to banks and the refund of certain governmental levies and charges to the general public, Hong Kong's economy managed to turnaround in the second half of 2003. To ride on the recovery of the hotel and catering sectors, we speeded up our product diversification process by providing additional range of grocery items with healthy sales growth in the last quarter (our second half-year total sales were 11% better than our first half-year) and thereby improved our company image from just a coffee and tea supplier to a food and beverage service provider. In view of the current market conditions, we are quite optimistic of our grocery sales performance in 2004 and we shall continue to pursue our direction to develop more of our own branded grocery items as well as taking up more agency products. In addition, we have received favorable response on our recent development with the fast food chains on the freshly roasted espresso and ground coffee, and we expect to see further growth opportunities in this sector in 2004.

In the Hong Kong FMCG market, our revised sales and marketing strategies on "3-in-1" coffee mix and milk tea mix had successfully out-performed market results in the last quarter of 2003 leading to strong sales and market share growth versus 2002. According to A.C. Nielsen report on the coffee mix segment, while the market was up 3.2% in Q4, 2003 versus same period last year, we had almost 12% value growth that our full year value growth was 16% above 2002, well above the market value growth of only 4.4%. As for the milk tea mix segment, we achieved 121% value growth in Q4, 2003 that our full year value growth was 89% over 2002, compared to the market value growth of only 5.8%. In 2004 we shall further expand our product range to offer more "3-in-1" mix series to our customers. In the ready-to-drink market, tea drinks and in particular those with 'health' appeal continue to grow steadily. Following on the good market awareness of our 'Tropigo' brand, we shall launch several more bottled tea drinks with 'health appeal' under this brand.

In China, we had another difficult year in 2003. Despite our effort to restructure our sales and distribution channels from indirect sales through distributors to more direct sales through own branch offices in major cities, we could not achieve any sales growth in 2003 as a result of the devastating impact of SARS on the hotel and catering sector in

China. In order to penetrate better into the catering sector, we have fine-tuned our coffee and tea formulae with different product series for 4-5 stars hotels, café chains, and Hong Kong style tea bistros. At the same time we shall close down some representative offices in the more remote area of China in order to focus more on the major cities such as Beijing, Shanghai and Guangzhou.

Due to the SARS impact, we purposely postponed the development of our café shops in China. Our first brand new concept 'Salsa' Café shop with Latin American theme and unique gender coffee offer was opened in July 2003 in Pudong, Shanghai just after SARS. Although it is too early to evaluate the café's performance in China, the 'Salsa' Café has received favourable publicity. In light of this, we have opened the second shop in Shanghai in January 2004, to be followed by the third one, again in Shanghai, by April 2004. Once all these three 'Salsa' Café Shops are established, we shall put more marketing resources to promote the unique 'Salsa' Latin American Brand image.

As for the Hong Kong Café Shop development, we were quite fortunate that we had closed down our café restaurant in Tsimshatsui in February 2003. While lots of restaurants and caterers suffered during and after the SARS, our company was able to minimize our loss with reduced 2003 full year loss versus 2002. In order to cope with the 'Salsa' Café development in Shanghai and to enjoy greater publicity and brand awareness, we shall open one 'Salsa' Café Shop in Tsimshatsui, Hong Kong in March 2004.

With the gradual opening of the China market for WTO, the speedy integration between Hong Kong and the Pearl River Delta cities, the CEPA support by the Chinese Government, the free Chinese tourist visa arrangement, and the low interest rate, we have already seen good signs of economic recovery in Hong Kong as reflected by the increased consumer confidence level, the strong rebound of the stock and the property market. All these will benefit the retail and the catering market that we are cautiously optimistic about 2004. However, 2004 is the year for the U.S. presidential election as well as the Taiwan presidential election. This may affect the China-Hong Kong political and economic development. Moreover, the unknown impact of various viruses such as the already happening bird flu and the potential return of the SARS may again affect our economy and our business. Therefore, we continue to take a prudent approach on our business strategies and development in 2004 to sustain our business performance.

## 11 Dividend

### *(a) Current Financial Period Reported On*

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Amount per Share (in cents)	7.5 HK cents per ordinary share (tax not applicable)
Optional: - Dividend Rate (in %)	30% per ordinary share
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? Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Amount per Share (in cents)	5.5 HK cents per ordinary share (tax not applicable)
Optional: - Dividend Rate (in %)	22% per ordinary share
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 30 April 2004, the final dividend will be paid on 21 May 2004.

### *(d) Books closure date*

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 11 May 2004 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 10 May 2004 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

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

**Profit and loss statement**  
**Financial year ended**  
**December 31, 2003**

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

**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
<b>Revenue</b>				
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 (loss) from operations	47,273	(6,778)	774	41,269
Finance cost	(178)	(139)	-	(317)
Profit (loss) before income tax	47,095	(6,917)	774	40,952
Income tax	(8,310)	(14)	(319)	(8,643)
Profit (loss) after income tax	38,785	(6,931)	455	32,309
Minority interest	-	2,784	-	2,784
Profit (loss) attributable to the shareholders of the Group	<u>38,785</u>	<u>(4,147)</u>	<u>455</u>	<u>35,093</u>
	<u>Hong Kong</u> HK\$' 000	<u>PRC</u> HK\$' 000	<u>Canada</u> HK\$' 000	<u>Total</u> HK\$' 000
<b>Other information</b>				
Capital additions	13,216	708	-	13,924
Depreciation	4,448	2,117	53	6,618
Impairment loss recognized in profit and loss statement	1,029	-	-	1,029
	<u>Hong Kong</u> HK\$' 000	<u>PRC</u> HK\$' 000	<u>Canada</u> HK\$' 000	<u>Total</u> HK\$' 000
<b>Balance sheet</b>				
Segment assets	179,522	20,110	3,744	203,376
Segment liabilities	<u>32,926</u>	<u>4,452</u>	<u>4,351</u>	<u>41,729</u>

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**

Not Applicable

**15 A breakdown of sales**

	<b>Group</b>		
	<b>2003</b>	<b>2002</b>	<b>Increase/ (Decrease)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
(a) Sales reported for the first half year	128,350	133,313	(3.7)
(b) Operating profit after tax before deducting minority interests reported for the first half year	16,827	18,220	(7.6)
(c) Sales reported for the second half year	140,614	137,657	2.1
(d) Operating profit after tax before deducting minority interests reported for the second half year	20,266	14,089	43.8

The operating profit after tax before deducting minority interests for the second half year recorded a significant increase of 43.8% because, in the last financial year of 2002, other operating expenses of HK\$4.6 millions in aggregate were incurred while there was no such expenses in the current financial year. Should these other operating expenses be excluded, the adjusted profit for the second half of 2002 would become HK\$18.65 millions resulting in an adjusted increase of 8.7%.

Provision for land deposit  
Write off of land survey fee  
Market study cost for new café chain  
Impairment loss on the fixed assets of a restaurant

<b>2003 HK\$'000</b>	<b>2002 HK\$'000</b>
-	2,500
-	69
-	965
-	1,029
-	4,563

**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 Full Year (HK\$'000)	Previous Full Year (HK\$'000)
Ordinary	17,600	12,800
Preference	-	-
Total	17,600	12,800

**Note to Para 11(a)** - The recommended dividend takes into consideration the Group's FY2003 results, its present cash position and its projected working capital requirements for the next financial year. Payment of the dividend is subject to the Shareholders' approval at the forthcoming Annual General Meeting.

**BY ORDER OF THE BOARD**

**Mr. Wong Tat Tong**  
**Chairman and Managing Director**  
**27 February 2004**