

Tsit Wing International Holdings Limited

Half Year Financial Statement And Dividend Announcement

Half-year financial statement on consolidated results for the six months ended 30 June 2002.

These figures have not been audited.

		Group			Company		
		2002(1H)	2001(1H)	Increase/ (Decrease)	2002(1H)	2001(1H)	Increase/ (Decrease)
		HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
1.	(a) Turnover	133,313	122,477	8.8	0	0	NA
	(b) Cost of sales or classification as followed in the most recent audited annual financial statements.	(68,267)	(64,185)	6.4	0	0	NA
	(c) Gross profit	65,046	58,292	11.6	0	0	NA
	(d) Investment income	0	0	0.0	2,672	0	100.0
	(e) Other income including interest income	619	370	67.3	3,667	0	100.0
2.	(a) Operating profit before income tax, minority interests, extraordinary items, interest on borrowings depreciation and amortisation, foreign exchange gain / (loss) and exceptional items	25,065	23,210	8.0	2,491	0	100.0
	(b)(i) Interest on borrowings	(185)	(220)	(15.9)	0	0	NA
	(b)(ii) Depreciation and amortisation	(3,231)	(2,764)	16.9	0	0	NA
	(b)(iii) Foreign exchange gain / (loss)	318	207	53.6	0	0	NA
	(c) Exceptional items (provide separate disclosure of items)	0	0	0.0	0	0	NA

		Group			Company		
		2002(1H)	2001(1H)	Increase/ (Decrease)	2002(1H)	2001(1H)	Increase/ (Decrease)
		HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
2.	(d) Operating profit before income tax, minority interests and extraordinary items but after interest on borrowings, depreciation and amortisation, foreign exchange gain / (loss) and exceptional items	21,967	20,433	7.5	2,491	0	100.0
	(e) Income derived from associated companies (with separate disclosure of any items included therein which are exceptional because of size and incidence)	0	0	0.0	0	0	NA
	(f) Operating profit before income tax	21,967	20,433	7.5	2,491	0	100.0
	(g) Less income tax (indicate basis of computation)	(3,747)	(3,141)	19.3	0	0	NA
	(g)(i) Operating profit after tax before deducting minority interests	18,220	17,292	5.4	2,491	0	100.0
	(g)(ii) Less minority interests	617	(56)	1,201.8	0	0	NA
	(h) Operating profit after tax attributable to members of the company	18,837	17,236	9.3	2,491	0	100.0
	(i)(i) Extraordinary items (provide separate disclosure of items)	0	0	0.0	0	0	NA
	(i)(ii) Less minority interests	0	0	0.0	0	0	NA
	(i)(iii) Extraordinary items attributable to members of the company	0	0	0.0	0	0	NA

		Group			Company		
		2002(1H)	2001(1H)	Increase/ (Decrease)	2002(1H)	2001(1H)	Increase/ (Decrease)
		HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
2.	(i)(iv)Transfer to / from Exchange Reserve	0	0	0.0	0	0	NA
	(i)(v)Transfer to Capital Reserve	0	0	0.0	0	0	NA
	(i)(vi)Transfer to Reserve Fund	0	0	0.0	0	0	NA
	(j) Operating profit after tax and extraordinary items attributable to members of the company	18,837	17,236	9.3	2,491	0	100.0

Subsequent to the registration of the Company as an overseas company with business operation in Hong Kong, all income/profits of the Company arising from Hong Kong are subject to Hong Kong income tax.

Income tax of the Company as well as those subsidiaries which are subject to income tax in the jurisdiction they are operating in, are calculated at the applicable rates of taxation on the estimated assessable profits. The estimated assessable profits are based on the results of the individual companies for the period after adjusting for items which are non-assessable or disallowed under relevant tax laws and regulation.

The proforma group result for the previous half 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 period; or since the dates of incorporation or formation of the companies in the Group, if later.

		Group figures	. Group figures
		2002 (1H)	2001 (1H)
3.	(a) Operating profit [2(g)(i) above] as a percentage of turnover [1(a) above]	13.7 %	14.1 %
	(b) Operating profit [2(h) above] as a percentage of issued capital and reserves at end of the period	13.4 %	21.9 %
	(c) Earnings per ordinary share for the period based on 2(h) above after deducting any provision for preference dividends:- (a) Based on the weighted average number of ordinary shares in issue; and (ii) On a fully diluted basis	11.8 HK cents N/A	14.4 HK cents N/A
	(To disclose the basis used in arriving at the weighted average number of shares for the purposes of (c)(i) above and to provide details of any adjustments made for the purpose of (c)(ii) above)	<p>The earnings per share (“EPS”) for the first half year of 2002 is based on the total number of 160,000,000 ordinary shares in issue during the period.</p> <p>The EPS for the previous corresponding half year is based on the pre-invitation issued share capital of 120,000,000 ordinary shares on the assumption that the Proforma Group had been in existence during the corresponding period under review.</p>	
	(d) Net tangible asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	88.1 HK cents	65.5 HK cents
		<p>The net tangible asset backing (“NTA”) per ordinary share as at 30 June 2002 is based on the issued share capital of 160,000,000 shares as at that date.</p> <p>The NTA as at 30 June 2001 is based on the pre-invitation issued share capital of 120,000,000 shares on the assumption that the Proforma Group had been in existence during the previous corresponding period under review.</p>	

- 3.(e) To provide an analysis of expenses based on their function within the group for the current and previous corresponding period

. Group figures					
	2002 (1H)		2001 (1H)		Inc / (Dec)
	HK\$'000		HK\$'000		%
General & administration	19,088	43.7%	17,503	45.8%	9.1
Sales & marketing	24,425	55.9%	20,506	53.6%	19.1
Interest expense	185	0.4%	220	0.6%	(15.9)
	-----	-----	-----	-----	-----
Total	43,698	100.0%	38,229	100.0%	14.3
	=====	=====	=====	=====	=====

General & Administration Expenses

General and administration expenses grew by 9.1% or HK\$1.6 million mainly due to higher staff cost as a consequence of annual salary increment and greater provision for year-end bonus in view of better company profit. Subsequent to our IPO in December 2001, new types of legal and professional expenses need incur so as to comply with the stringent listing requirements.

Sales & Marketing Expenses

Sales and Marketing Expenses increased by 19.1% or HK\$3.9 millions, in which HK\$3.1 millions were attributable to the additional promotion expenses spent on FMCG products and the remaining HK\$0.8 million was mainly due to the annual salary increment of sales staff and the higher commission and delivery expenses resulting from better turnover.

This half-year, we spent approximately HK\$1.1 millions on the promotion of the new TW canned Yuan Yang and approximately HK\$4.2 millions for boosting up the sales of old FMCG products. These spendings aggregated to HK\$5.3 millions and was 1.4 times more than the total expenditure of HK\$2.2 millions for the same period of last year.

Item 4 is not applicable to interim results

	Group			Company		
	2002(1H)	2001(1H)	Inc/ (Dec)	2002(1H)	2001(1H)	Inc/ (Dec)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
4. (a) Sales reported for the first half year						
(b) Operating profit [2(g)(i) above] reported for the first half year						
(c) Sales reported for the second half year						
(d) Operating profit [2(g)(i) above] reported for the second half year						

5.(a) Amount of any adjustment for under or overprovision of tax in respect of prior years

NIL.

5.(b) Amount of any pre-acquisition profits

NIL

5.(c) Amount of profits on any sale of investments and/or properties

Item 5c Table

Sale of investments / properties	Profit / (Loss)
	HK\$
	NIL

5.(d) Any other comments relating to Paragraph 5

Not Applicable

6. Segmental Results

		Turnover			Profit Before Tax		
		2002(1H)	2001(1H)	Increase/ (Decrease)	2002(1H)	2001(1H)	Increase/ (Decrease)
		HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<u>Geographical Region</u>							
	Hong Kong	121,790	109,053	11.7	22,917	20,024	14.5
	PRC	9,869	11,856	(16.8)	(1,319)	120	(1,199.2)
	Canada	1,654	1,568	5.5	369	289	27.7
		133,313	122,477	8.8	21,967	20,433	7.5

Industry Segments

The group principally engages in the processing of coffee beans, distribution of coffee, tea and related products and 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.

7.(a) Review of the performance of the company and its principal subsidiaries

Turnover for the first half of FY2002 reached HK\$133.3 millions resulting in an increase of 8.8% or HK\$10.8 millions as compared with the total of HK\$122.5 millions for the same period last year. Our growth remained substantially relying on the catering business, which contributed approximately 91% of the increase whilst our FMCG and café businesses accounted for 8% and 1% respectively. Profit before taxation increased by 7.5% mainly due to rises in sales and gross margins.

Catering Segment

Our catering sales grew by 11.3% in Hong Kong and 5.5% in Canada, but these increases were partially offset by the negative growth of 17.7% in China leading to an overall turnover increase of 9% in this core business segment. In terms of products, coffee and tea rose by 4.4% in aggregate and dominated 70% of our total turnover. The sales of grocery items expanded by 31.7% with their share in the total turnover increased to 16%.

FMCG Business

The various promotional activities conducted throughout the period improved the sales of our 3 in 1 products by 28.5%. TW canned Yuan Yang, which was launched in late December last year, also drew additional sales of HK\$0.9 million. However, the sales of Bottled Soluble Coffee, for which we act as a sole distributor in PRC, declined by 64% due to a lack of financial support from the principals in advertising and promotion. These, together with the shrinkage of HK\$0.3 million in the sales of TW canned coffee, gave rise to an overall growth rate of 11.1% for our FMCG sales.

During the first half of the year, we spent approximately HK\$1.1 millions on the promotion of the new TW canned Yuan Yang and approximately HK\$4.2 millions for boosting up the sales of old FMCG products. These spendings aggregated to HK\$5.3 millions and was 1.4 times more than the total expenditure of HK\$2.2 millions for the same period of last year.

Café Operation

Our three cafés shops in Hong Kong generated a total income of HK\$4.5 millions resulting in a slight increase of 1.6%. In fact, our café turnover improved by 7.4% during the first 4 months of this year. Unfortunately, the sales of the following two months dropped due to the temporary closure of our largest café restaurant for 5 days in May for ceiling renovation, and the World Cup 2002 in June. After the World Cup, our sales improved.

Geographical Markets

Hong Kong market contributed 91.4% of our total turnover whilst the PRC and Canada operations accounted for 7.4% and 1.2% respectively. Our business growth in Hong Kong is still encouraging given the turnover increase of 11.7% or HK\$12.7 millions over the past six months. Our Canadian market continued to grow steadily. Our business in the PRC declined temporary by 16.8% or HK\$2.0 millions in turnover as a result of the restructure of the distribution channel during the period under review.

Operating Expenses

There was an increase of 14.3% in the overall operating expenses. Geographically, increment of 15.2% in the operating expenses of our Hong Kong market was considered reasonable and in line with the sales increases there. Our Canadian expenses were contained at similar level as the first half of last year while in China, despite a decrease in turnover, the operating expenses expanded by 10%. The expansion was mainly due to the greater spending on advertising and promotion, the additional expenses resulting from converting the Shanghai liaison office into a fully operating branch company, and the higher travel and entertainment expenses to strengthen the customer network following the termination of certain contracts with some distributors.

- 7.(b) Where a forecast, or a prospect statement, has been previously disclosed to shareholders, the issuer must explain any variance between the forecast or prospect statement and the actual results.

As mentioned in the last Proforma Full Year Financial Statement and Dividend Announcement, the directors expect the Group to remain profitable. The results of the first six months of this year are in line with the prospect statement made previously and, barring unforeseen circumstances, the directors are of the opinion that the prospect statement is still achievable.

- 7.(c) A statement by the Directors of the Company whether any item or event of a material or unusual nature, which would have affected materially the results of operations of the Group and the Company, has occurred between the date to which the report refers and the date on which the report is issued. If none, to give a negative statement.

In 1994, Zhuhai Tsit Wing Food Co. Ltd. ("TW Zhuhai") signed an agreement with its minority shareholder, Zhuhai Hua Sheng Enterprise (Group) Ltd. ("Hua Sheng"), under which Hua Sheng planned to acquire a piece of land from the PRC government and would lease part of the land to TW Zhuhai for the construction of factory premises. A sum of RMB 2.7 millions (equivalent to HK\$2.5 millions) was therefore, paid by TW Zhuhai to Hua Sheng as a deposit for the lease. However, up to the present moment, Hua Sheng has not completed the necessary legal proceedings for the land acquisition because neither Hua Sheng nor TW Zhuhai has submitted a concrete construction plan for the relevant government authority to review.

On 16 August 2002, Hua Sheng informed that one of their creditors had raised a court case for the recovery of a substantial debt due from Hua Sheng and the creditor has applied for a "Charging Order" to freeze certain assets of Hua Sheng including their 10% investment in TW Zhuhai.

In the opinion of the directors, no provision on the deposit has been made as the court case in China has just started which may last for years. However, it is possible that Hua Sheng may lose the court case which will force Hua Sheng into liquidation. Therefore, the Group will have a contingent loss of HK\$1.3 million (being 53% effective holding in TW Zhuhai.)

Saved as disclosed above, the directors are of the opinion that no item, transaction or event of a material or unusual nature has arisen during the period between 30 June 2002 and the date of this report that will affect substantially the results of the operations of the Company and of the Group as at 30 June 2002.

8. 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.

The first half of FY2002 is a period of steady performance for Tsit Wing amidst the deflationary economy and high unemployment in Hong Kong. China's robust economy will continue to offer us growth opportunities in coming years. Due to the rapid increase in cost and swift changes in business environment, we will be cautious in our investment direction, strategy and timing to ensure a sustainable long term and stable business growth in China.

Hong Kong

Our catering business has recorded an 11.3% growth. We have successfully launched the Hong Kong style milk tea at McDonald's and the iced milk tea at KFC. The business concept of introducing locally developed taste to multinational restaurants chains carrying mainly western menu was proven to be very successful in the market. We will leverage on this successful model and at the same time capitalizing on our solid sales network in the sector. Currently we are developing new product ideas on both beverages and food category to generate more revenue in our already established channel at restaurant chains. We are looking forwards to more blockbuster product launch in the coming future. Though highly competitive, we shall maintain our brand ranking for our FMCG product lines. According to the Retail Audit of ACNielsen (May/June 02), the retail sales of our all-in-one coffee has grown in volume despite the total market declined. Focusing on brand rejuvenation and new product development, our key strategy is to further increase our market share. We are continuing our R&D effort on innovative products and we target to launch some of them within the next twelve months.

China

We have suffered a small loss in the first half year as a result of our sales restructure. The restructure exercise is targeted to complete by the end of FY2002 and we expect to improve our performance through selling directly to end customers instead of relying on local distributors. For our café project, our feasibility study indicates positive prospect. In order to gain synergy and to strengthen our overall capability, we intend to link up with a strategic partner to materialize the café chain setup by the first quarter of 2003.

9. Dividend

(a) *Present Period*

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	

(b) *Previous Corresponding Period*

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	

- (a) Total Annual Dividend (if applicable)

	Latest Year (HK\$'000)	Previous Year (HK\$'000)
Ordinary	4,000	12,000
Preference	0	0
Total:	4,000	12,000

- (b) Date Payable

17 September 2002

- (c) Book Closure Date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 7 September 2002 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 6 September 2002 will be registered to determine shareholders' entitlements to the proposed dividend.

- (d) Any other comments relating to Paragraph 9

No interim dividend was declared during the first half of 2001. A final dividend of 7.5 HK cents per share was declared in March 2002 upon the announcement of the full year result of the financial year 2001.

10.(a) **Summarised Balance Sheet**

	Group		Company	
	2002 June 30 HK\$'000	2001 Dec 31 HK\$'000	2002 June 30 HK\$'000	2001 Dec 31 HK\$'000
Fixed Assets	30,992	29,133	-	-
Other non-current Assets	4,319	3,965	-	-
Investment in Subsidiaries	-	-	78,563	78,563
Current Assets	153,550	151,857	42,475	53,647
Current Liabilities	(37,240)	(39,509)	(1,675)	(3,338)
Minority Interest	(10,656)	(11,274)	-	-
Total	140,965	134,172	119,363	128,872
Shareholders' Equity				
Share Capital	40,000	40,000	40,000	40,000
Reserves	100,965	94,172	79,363	88,872
Total	140,965	134,172	119,363	128,872

10.(b) **Consolidated Cash Flow Statement**

	Group	
	2002 (1H) HK\$'000	2001 (1H) HK\$'000
Net Cash Inflow / (Outflow) from		
Operating activities	27,049	13,263
Returns on investments & servicing of finance	(11,576)	(1,905)
Taxation	(2,239)	(1,159)
Investing activities	(5,830)	(2,761)
Financing activities	1,012	15
	-----	-----
Net Increase in cash and cash equivalent	8,416	7,453
Cash and cash equivalent at the beginning of the period	61,803	19,097
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Cash and cash equivalent at the end of the period	70,219	26,550
	=====	=====

10.(c) **Statement of Changes in Equity**

	Issued Capital	Share Premium	Contributed Surplus	Translation Reserve	Accumulated Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Group</u>						
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)
Translation adjustment	-	-	-	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
Net Profit for the period	-	-	-	-	18,837	18,837
Translation adjustment	-	-	-	(44)	-	(44)
Dividend paid	-	-	-	-	(12,000)	(12,000)
Balance at 30 Jun 2002	40,000	28,225	48,563	105	24,072	140,965

10.(c) Statement of Changes in Equity (cont'd)

	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 period	-	-	-	-	2,491	2,491
Dividend paid	-	-	-	-	(12,000)	(12,000)
Balance at 30 Jun 2002	40,000	28,225	48,563	-	2,575	119,363

10.(d) Explanatory notes that are material to an understanding of the information provided in 10.(a), (b) and (c) above

Summarised Balance Sheet

NIL

Consolidated Cash Flow Statement

The significant increase in the cash outflow under the category of "Returns on investments & servicing of finance" this year was due to the final dividend of 7.5 HK cents per share being paid in June 2002 while there was no such dividend payment made during the corresponding period in FY2001.

Statement of Changes in Equity

NIL

11. Details of any changes in the company's issued share capital

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

12. The group's borrowings and debt securities as at the end of the financial period reported on, and comparative figures as at the end of the most recently announced financial statements

(a) Amount repayable in one year or less, or on demand

As at 30 June 2002		As at 31 December 2001	
Secured HK\$	Unsecured HK\$	Secured HK\$	Unsecured HK\$
-	7,298,979	-	6,208,388

(b) Amount repayable after one year

As at 30 June 2002		As at 31 December 2001	
Secured HK\$	Unsecured HK\$	Secured HK\$	Unsecured HK\$
-	-	-	-

(c) Any other comments relating to Paragraph 12

NIL

13. A statement that the same accounting policies and methods of computation are followed in the financial statements as compared with the most recent audited annual financial statements. Where there have been any changes or departure from the accounting policies and methods of computation, including those required by an accounting standard, this should be disclosed together with the reasons for the change and the effect of the change.

There was no change or departure in the accounting policies and methods of computation adopted by the Group and the Company for the preparation of the financial statements for the six months ended 30 June 2002 as compared to the audited annual financial statements for the year ended 31 December 2001.

BY ORDER OF THE BOARD

Mr. Wong Tat Tong @ Wong Tak Tong
Chairman and Managing Director
22 August 2002