

Tsit Wing International Holdings Limited

First Quarter 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>Group</u>		
	3 months ended <u>31/03/2003</u> HK\$'000	3 months ended <u>31/03/2002</u> HK\$'000	Increase/ <u>(decrease)</u> %
Revenue	65,171	65,029	0.2
Cost of sales	<u>(32,816)</u>	<u>(33,769)</u>	(2.8)
Gross profit	32,355	31,260	3.5
Other operating income	312	254	22.8
Sales and marketing expenses	(11,575)	(11,448)	1.1
General and administration expenses	<u>(10,288)</u>	<u>(9,536)</u>	7.9
Profit from operations	10,804	10,530	2.6
Finance cost	<u>(49)</u>	<u>(85)</u>	(42.4)
Profit before income tax	10,755	10,445	3.0
Income tax	<u>(1,816)</u>	<u>(1,863)</u>	(2.5)
Profit after income tax	8,939	8,582	4.2
Minority interests	<u>100</u>	<u>429</u>	(76.7)
Profit attributable to shareholders	<u><u>9,039</u></u>	<u><u>9,011</u></u>	0.3

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

	<u>Group</u>	
	3 months ended <u>31/03/2003</u> HK\$'000	3 months ended <u>31/03/2002</u> HK\$'000
Interest income from non-related companies	(312)	(254)
Interest expense to non-related companies	49	85
Foreign exchange gain	(59)	(44)
Loss on disposal of property, plant and equipment	-	1
Depreciation expense	1,562	1,597
Allowance for doubtful trade receivables	397	318
Allowance (written back) for inventories	(68)	46

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>31/03/2003</u> HK\$'000	<u>31/12/2002</u> HK\$'000	<u>31/03/2003</u> HK\$'000	<u>31/12/2002</u> HK\$'000
<u>ASSETS</u>				
Current assets:				
Cash	97,163	88,965	34,298	34,577
Trade receivables	32,911	34,222	-	-
Other receivables and prepayments	7,553	6,852	3,149	2,513
Inventories	<u>37,313</u>	<u>38,846</u>	<u>-</u>	<u>-</u>
Total current assets	<u>174,940</u>	<u>168,885</u>	<u>37,447</u>	<u>37,090</u>
Non-current assets:				
Subsidiaries	-	-	96,161	96,915
Property, plant and equipment	34,205	34,285	-	-
Deposits paid for acquisition of property, plant and equipment	<u>254</u>	<u>206</u>	<u>-</u>	<u>-</u>
Total non-current assets	<u>34,459</u>	<u>34,491</u>	<u>96,161</u>	<u>96,915</u>
Total assets	<u><u>209,399</u></u>	<u><u>203,376</u></u>	<u><u>133,608</u></u>	<u><u>134,005</u></u>

	<u>Group</u>		<u>Company</u>	
	<u>31/03/2003</u>	<u>31/12/2002</u>	<u>31/03/2003</u>	<u>31/12/2002</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
<u>LIABILITIES AND EQUITY</u>				
Current liabilities:				
Trust receipt loans				
and overdrafts	6,479	3,631	-	-
Trade payables	14,891	21,279	-	-
Other payables	13,502	13,013	2,007	2,615
Income tax payable	1,975	2,192	156	126
Total current liabilities	<u>36,847</u>	<u>40,115</u>	<u>2,163</u>	<u>2,741</u>
Non-current liability:				
Deferred income tax	<u>1,724</u>	<u>1,614</u>	<u>-</u>	<u>-</u>
Minority interests				
	<u>8,389</u>	<u>8,489</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	284	42	-	-
Accumulated profits	<u>45,367</u>	<u>36,328</u>	<u>14,657</u>	<u>14,476</u>
Total equity	<u>162,439</u>	<u>153,158</u>	<u>131,445</u>	<u>131,264</u>
Total liabilities				
 and equity	<u><u>209,399</u></u>	<u><u>203,376</u></u>	<u><u>133,608</u></u>	<u><u>134,005</u></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 March 2003		As at 31 December 2002	
Secured	Unsecured	Secured	Unsecured
HK\$	HK\$	HK\$	HK\$
-	6,479,218	-	3,630,669

Amount repayable after one year

As at 31 March 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**

	Group	
	3 months ended 31/03/2003 HK\$'000	3 months ended 31/03/2002 HK\$'000
Cash flows from operating activities:		
Profit before income tax	10,755	10,445
Adjustments for:		
Depreciation	1,562	1,597
Interest expense	49	85
Allowance for inventories	(68)	46
Allowance for doubtful trade receivables	397	318
Loss on disposal of plant and equipment	-	1
Interest income	(312)	(254)
Operating profit before working capital changes	<u>12,383</u>	<u>12,238</u>
Decrease (Increase) in trade receivables	914	(1,163)
Increase in other receivables and prepayments	(701)	(441)
Decrease in inventories	1,751	6,101
Decrease in trade payables	(6,388)	(3,475)
Increase (Decrease) in other payables	489	(2,816)
Cash generated from operations	<u>8,448</u>	<u>10,444</u>
Interest paid	(49)	(85)
Interest received	312	254
Income tax paid	(1,923)	(2,247)
Net cash from operating activities	<u>6,788</u>	<u>8,366</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,583)	(2,279)
Deposits paid for acquisition of property, plant and equipment	(48)	(417)
Proceeds from disposal of property, plant and equipment	6	-
Net cash used in investing activities	<u>(1,625)</u>	<u>(2,696)</u>
Cash flows from financing activities:		
Proceeds from trust receipt loans	12,504	10,067
Repayment of trust receipt loans	(9,656)	(9,281)
Net cash from financing activities	<u>2,848</u>	<u>786</u>
Net effect of exchange rate changes in consolidating subsidiaries	<u>187</u>	<u>(2)</u>
Net increase in cash and cash equivalent	8,198	6,454
Cash at beginning of the period	<u>88,965</u>	<u>61,803</u>
Cash at end of the period	<u><u>97,163</u></u>	<u><u>68,257</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 capitalisation 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
<u>Group</u>						
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 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
Currency translation differences	-	-	-	242	-	242
Net profit for the period	-	-	-	-	9,039	9,039
Dividend paid	-	-	-	-	-	-
Balance at 31 Mar 2003	40,000	28,225	48,563	284	45,367	162,439

	Issued Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Accumulated Profits HK\$'000	Total HK\$'000	
<u>Company</u>						
Balance at 1 Jan 2002		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
Net profit for the period		-	-	-	181	181
Dividend paid		-	-	-	-	-
Balance at 31 Mar 2003		40,000	28,225	48,563	14,657	131,445

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 first quarter of years 2002 and 2003.

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, 2002.

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

	3 months ended 31/03/2003	3 months ended 31/03/2002
Based on the weighted average number of ordinary shares in issue; and	5.65 HK cents	5.63 HK cents
On a fully diluted basis	5.65 HK cents	N/A

Notes:

The basic earnings per share for the first 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 first quarter of financial year 2003 is based on the profit attributable to shareholders divided by the adjusted number of ordinary shares of 160,024,000 (2001: N/A) in issue during the period. There was no dilution for the corresponding period as no share options were granted 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	
	31/03/2003	31/12/2002	31/03/2003	31/12/2002
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	101.5 HK cents	95.7 HK cents	82.2 HK cents	82.0 HK cents

Notes

The net asset backing per ordinary share as at 31 March 2003 and 31 December 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. 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

The first quarter of FY2003 commenced with a lot of hopes in economic recovery but ended up with great uncertainty due to the outbreak of the Iraq war as well as the Severe Acute Respiratory Syndrome ("SARS") in multi-countries. Despite these unfavourable conditions, we were able to sustain our profitability and achieved quarterly increases of 0.2% and 3.0% respectively in turnover and profit before tax.

In Hong Kong, due to the SARS, consumer spending dropped immediately and most of our customers suffered disastrous reduction in turnover. Tsit Wing, of course, could not escape from the crisis but it was fortunate that the negative impact was not so serious. The sales of our coffee and tea products recorded negative growth of 3.1% and 4.8% respectively but these drops were totally offset by the 20% increase in our grocery sales that our total catering sales for the first quarter still gained further by 0.4%.

The finalization of the restructure in the PRC led to an increase of 8.4% in turnover and its operating loss also narrowed down to HK\$0.2 million as compared with the corresponding loss of HK\$0.9 million of last year. This was the result of our progressive changing in the sales and marketing strategies from selling through distributors to direct sales to our customers in the catering segment. Although the restructure resulted in increased staff payroll due to additional head count and recruitment of more high calibre staff at higher pay, we did see progressive sales rebound and improving gross margins.

Our Canadian operation further improved by 18.8% in turnover and 82.5% in profit before tax with both its catering and FMCG businesses continued to grow steadily.

Our overall FMCG sales increased by 13% and brought in a total contribution of approximately HK\$7,000 whilst the quarterly contribution of last year was about HK\$50,000.

Due to severe competition, large-scale promotional activities as well as deep price-cuts were enforced in Hong Kong while in the PRC, most of the advertising and promotional activities were hold back due to the restructure. Although our FMCG sales in Canada was comparatively small in scale, the business was profitable.

As scheduled, our café restaurant located in Tsim Sha Tsui of Hong Kong closed in February, for which staff redundancy and severance payment of approximately HK\$0.2 million were incurred. Regarding our new café business in the PRC, we signed Lease Reservation Agreements with a landlord by the end of March, under which we committed to open café shops in the Super Brand Mall in Pudong, Shanghai. The Super Brand Mall is claimed to be one of the biggest shopping arcade in Asia and we target the shop opening in the third quarter.

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

Not Applicable

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

Hong Kong is experiencing the toughest economic climate in 30 years. The sluggish economy has been weak ever since the Asian financial crisis and is yet to recover. The outbreak of SARS in March has put our society and the economy to the test. Although the current period is painful, we hope the situation will improve. Tsit Wing was able to demonstrate our strong foundation and our capability to respond to changes. In the first quarter of 2003, we managed to maintain our performance as that of the first quarter last year.

Our satisfactory performance was attributed to the continuing effort of our experienced staff. Without their commitment to go an extra mile in every single deal, we would not be able to see Tsit Wing operating at this level amidst this prevailing economic uncertainty.

We were able to control our cost of goods and services effectively. The impact from the coffee commodity fluctuation was minimal and our margin improved. Our operating expenses was also well controlled.

In China, our turnover in the first quarter of 2003 increased as compared to same period of last year. The SARS situation in China is worrying at this stage. It is too early for us to predict how much the disease will affect the economy. Since the sales contribution from China to the group is only around 10%, the impact to the Group is expected to be minimal.

Our café setup in China is in progress. We strategically delayed entering into any leasing commitment to this year due to the overheated Shanghai property market. The recent downward adjustment in rental offers us opportunities for further business development. In March 2003, we signed tenancy agreements to open cafes in the Super Brand Mall in Pudong, Shanghai. We target to open our first café by July. We shall continue to expand by identifying suitable locations for additional outlets.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(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	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

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

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**

Not Applicable

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**

Not Applicable

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 (interim)		
Ordinary (final)		
Preference		
Total:		

BY ORDER OF THE BOARD

Mr. Wong Tat Tong @ Wong Tak Tong
Chairman and Managing Director
19 May 2003