

Tsit Wing International Holdings Limited

Half 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>Group</u>		<u>Inc / (dec)</u>	<u>Group</u>		<u>Inc / (dec)</u>
	<u>6 months ended 30/06/2003</u>	<u>6 months ended 30/06/2002</u>		<u>3 months ended 30/06/2003</u>	<u>3 months ended 30/06/2002</u>	
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Revenue	128,350	133,313	(3.7)	63,179	68,284	(7.5)
Cost of sales	(65,643)	(68,267)	(3.8)	(32,827)	(34,498)	(4.8)
Gross profit	<u>62,707</u>	<u>65,046</u>	(3.6)	<u>30,352</u>	<u>33,786</u>	(10.2)
Other operating income	642	619	3.7	330	365	(9.6)
Operating expenses						
Sales & marketing	(21,686)	(24,425)	(11.2)	(10,111)	(12,977)	(22.1)
General & administration	(20,007)	(19,088)	4.8	(9,719)	(9,552)	1.7
Profit from operations	<u>21,656</u>	<u>22,152</u>	(2.2)	<u>10,852</u>	<u>11,622</u>	(6.6)
Finance cost	(118)	(185)	(36.2)	(69)	(100)	(31.0)
Profit before income tax	<u>21,538</u>	<u>21,967</u>	(2.0)	<u>10,783</u>	<u>11,522</u>	(6.4)
Income tax	(4,711)	(3,747)	25.7	(2,895)	(1,884)	53.7
Profit after income tax	<u>16,827</u>	<u>18,220</u>	(7.6)	<u>7,888</u>	<u>9,638</u>	(18.2)
Minority interests	<u>536</u>	<u>617</u>	(13.1)	<u>436</u>	<u>188</u>	131.9
Profit attributable to shareholders	<u>17,363</u>	<u>18,837</u>	(7.8)	<u>8,324</u>	<u>9,826</u>	(15.3)

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

	<u>Group</u>		<u>Group</u>	
	<u>6 months</u> <u>ended</u> <u>30/06/2003</u> HK\$'000	<u>6 months</u> <u>ended</u> <u>30/06/2002</u> HK\$'000	<u>3 months</u> <u>ended</u> <u>30/06/2003</u> HK\$'000	<u>3 months</u> <u>ended</u> <u>30/06/2002</u> HK\$'000
Interest income from non-related companies	(639)	(609)	(327)	(355)
Interest expense to non-related companies	118	185	69	100
Foreign exchange gain	(848)	(318)	(789)	(274)
(Gain) loss on disposal of property, plant & equipment	(3)	1	(3)	0
Depreciation expense	3,076	3,231	1,514	1,634
Allowance for doubtful trade receivables	1,305	385	908	67
Allowance for inventories	88	63	156	17

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>30/06/2003</u> HK\$'000	<u>31/12/2002</u> HK\$'000	<u>30/06/2003</u> HK\$'000	<u>31/12/2002</u> HK\$'000
<u>ASSETS</u>				
Current assets:				
Cash	94,581	88,965	20,394	34,577
Trade receivables	32,736	34,222	-	-
Other receivables and prepayments	6,131	6,852	1,208	2,513
Inventories	36,863	38,846	-	-
Total current assets	<u>170,311</u>	<u>168,885</u>	<u>21,602</u>	<u>37,090</u>
Non-current assets:				
Subsidiaries	-	-	106,913	96,915
Property, plant and equipment	34,641	34,285	-	-
Deposits paid for acquisition of property, plant and equipment	227	206	-	-
Deferred tax assets	156	-	-	-
Total non-current assets	<u>35,024</u>	<u>34,491</u>	<u>106,913</u>	<u>96,915</u>
Total assets	<u><u>205,335</u></u>	<u><u>203,376</u></u>	<u><u>128,515</u></u>	<u><u>134,005</u></u>

	<u>Group</u>		<u>Company</u>	
	<u>30/06/2003</u>	<u>31/12/2002</u>	<u>30/06/2003</u>	<u>31/12/2002</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities:				
Trust receipt loans and overdrafts	5,933	3,631	-	-
Trade payables	14,444	21,279	-	-
Other payables	8,898	13,013	1,572	2,615
Income tax payable	4,320	2,192	181	126
Total current liabilities	<u>33,595</u>	<u>40,115</u>	<u>1,753</u>	<u>2,741</u>
Non-current liabilities:				
Deferred income tax	<u>2,365</u>	<u>1,614</u>	-	-
Minority interests				
	<u>7,953</u>	<u>8,489</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	(257)	42	-	-
Accumulated profits	44,891	36,328	9,974	14,476
Total equity	<u>161,422</u>	<u>153,158</u>	<u>126,762</u>	<u>131,264</u>
Total liabilities and equity	<u>205,335</u>	<u>203,376</u>	<u>128,515</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 30 June 2003		As at 31 December 2002	
Secured	Unsecured	Secured	Unsecured
HK\$	HK\$	HK\$	HK\$
-	5,932,548	-	3,630,669

Amount repayable after one year

As at 30 June 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>	
	6 months ended	6 months ended	3 months ended	3 months ended
	<u>30/06/2003</u>	<u>30/06/2002</u>	<u>30/06/2003</u>	<u>30/06/2002</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities:				
Profit before income tax	21,538	21,967	10,783	11,522
Adjustments for:				
Depreciation	3,076	3,231	1,514	1,634
Interest expense	118	185	69	100
Allowance for inventories	88	63	156	17
Allowance for doubtful trade receivables	1,305	385	908	67
(Gain) loss on disposal of plant and equipment	(3)	1	(3)	0
Interest income	(639)	(609)	(327)	(355)
Operating profit before working capital changes	25,483	25,223	13,100	12,985
Decrease (Increase) in				
- trade receivables	181	625	(732)	1,788
- other receivables & prepayments	721	(2,254)	1,421	(1,813)
- inventories	2,476	8,409	725	2,308
(Decrease) Increase in				
- trade payables	(6,835)	(1,352)	(447)	2,123
- other payables	(4,115)	(3,517)	(4,604)	(701)
Cash generated from operations	17,911	27,134	9,463	16,690
Dividend paid	(8,800)	(12,000)	(8,800)	(12,000)
Interest paid	(118)	(185)	(69)	(100)
Interest received	639	609	327	355
Income tax paid/refund	(1,988)	(2,239)	(65)	8
Net cash from operating activities	<u>7,644</u>	<u>13,319</u>	<u>856</u>	<u>4,953</u>
Cash flows from investing activities:				
Purchase of property, plant and equipment	(3,902)	(5,490)	(2,319)	(3,211)
Deposits paid for acquisition of property, plant & equipment	(21)	(353)	27	64
Proceeds from disposal of property, plant & equipment	27	12	21	12
Net cash used in investing activities	<u>(3,896)</u>	<u>(5,831)</u>	<u>(2,271)</u>	<u>(3,135)</u>
Cash flows from financing activities:				
Trust receipt loans				
Proceeds	23,034	20,524	10,530	10,457
Repayment	(20,732)	(19,511)	(11,076)	(10,230)
Net cash from financing activities	<u>2,302</u>	<u>1,013</u>	<u>(546)</u>	<u>227</u>
Net effect of exchange rate changes in consolidating subsidiaries	(434)	(85)	(621)	(83)
Net increase in cash	5,616	8,416	(2,582)	1,962
Cash at beginning of the period	88,965	61,803	97,163	68,257
Cash at end of the period	<u><u>94,581</u></u>	<u><u>70,219</u></u>	<u><u>94,581</u></u>	<u><u>70,219</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

Group	Issued Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Translation Reserve HK\$'000	Accumulated Profits HK\$'000	Total HK\$'000
Balance at 1 Apr 2002	40,000	28,225	48,563	163	26,246	143,197
Currency translation differences	-	-	-	(58)	-	(58)
Net profit for the period	-	-	-	-	9,826	9,826
Dividend paid	-	-	-	-	(12,000)	(12,000)
Balance at 30 Jun 2002	<u>40,000</u>	<u>28,225</u>	<u>48,563</u>	<u>105</u>	<u>24,072</u>	<u>140,965</u>
Balance at 1 Apr 2003	40,000	28,225	48,563	284	45,367	162,439
Currency translation differences	-	-	-	(541)	-	(541)
Net profit for the period	-	-	-	-	8,324	8,324
Dividend paid	-	-	-	-	(8,800)	(8,800)
Balance at 30 Jun 2003	<u>40,000</u>	<u>28,225</u>	<u>48,563</u>	<u>(257)</u>	<u>44,891</u>	<u>161,422</u>

Company	Issued Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Accumulated Profits HK\$'000	Total HK\$'000
Balance at 1 Apr 2002	40,000	28,225	48,563	11,879	128,667
Net profit for the period	-	-	-	2,696	2,696
Dividend paid	-	-	-	(12,000)	(12,000)
Balance at 30 Jun 2002	<u>40,000</u>	<u>28,225</u>	<u>48,563</u>	<u>2,575</u>	<u>119,363</u>
Balance at 1 Apr 2003	40,000	28,225	48,563	14,657	131,445
Net profit for the period	-	-	-	4,117	4,117
Dividend paid	-	-	-	(8,800)	(8,800)
Balance at 30 Jun 2003	<u>40,000</u>	<u>28,225</u>	<u>48,563</u>	<u>9,974</u>	<u>126,762</u>

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 half and the second 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' 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 total deferred tax provision of HK\$0.6 millions was made in the accounts of the subsidiaries for the first six months of year 2003, which is included in the consolidated financial statements of the group for the six months ended 30/06/2003. 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

	6 months ended 30/06/2003	6 months ended 30/06/2002	3 months ended 30/06/2003	3 months ended 30/06/2002
Based on the weighted average number of ordinary shares in issue, and	10.85 HK cents	11.77 HK cents	5.20 HK cents	6.14 HK cents
On a fully diluted basis	10.85 HK cents	N/A	5.20 HK cents	N/A

Notes:

The basic earnings per share for the first half and second 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 half and second quarter of financial year 2003 is based on the profit attributable to shareholders divided by the adjusted number of ordinary shares of 160,050,000 and 160,027,000 respectively (2002: N/A) in issue during the period. There was no dilution for the corresponding period of last year 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	
	30/06/2003	31/12/2002	30/06/2003	31/12/2002
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	100.9 HK cents	95.7 HK cents	79.2 HK cents	82.0 HK cents

Notes

The net asset backing per ordinary share as at 30 June 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

Under the attack of SARS (the "Severe Acute Respiratory Syndrome"), we recorded total turnover of HK\$63.18 millions and profit before tax of HK\$10.78 millions in the second quarter of year 2003. Comparing to the HK\$68.28 millions and HK\$11.52 millions for the same period last year, there were respective reduction of 7.5% and 6.4%.

We accomplished a total turnover of HK\$128.35 millions and profit before tax of HK\$21.54 millions in the first half of year 2003, representing decreases of 3.7% and 2.0% respectively from the corresponding last year's figures of HK\$133.31 millions and HK\$21.97 millions.

Catering

Our sales to the catering segment in Hong Kong, PRC and Canada dropped by 2% in aggregate due to the outbreak of SARS and the resultant shrinkage in consumer spending and tremendous recession in tourism. Amongst these markets, PRC was the most seriously affected region with a drop of 8.1% as hotels and airlines were our dominant customers. Whereas in Hong Kong, hotels merely account for a small portion of our business, hence, the catering sales decreased by a comparatively lower percentage of 1.6%. With the relief of SARS towards the end of this half-year, our catering sales recovered progressively.

Fast Moving Consumer Goods (“FMCG”)

The first half of year 2003 presented an extremely tough operating environment for our FMCG business particularly in Hong Kong. Nevertheless, our overall FMCG sales still increased by 0.6% to almost HK\$9 millions and attained a small profit of HK\$0.14 million whilst there was a loss of approximately HK\$1 million for the same period last year. This was mainly attributable to our prudent and tight control of the advertising and promotional (“A&P”) expenses both in Hong Kong and the PRC.

In Hong Kong, in order to capture the greatest share in the shrinking consumer spending, we need to conduct more promotional activities in the supermarkets and offer greater discounts. Despite our 3-in-1 series grew by 23% in sales, the poor performance of our canned drinks reversed the overall sales trend to a drop of 3% when comparing with the previous year. In view of the unfavorable market condition, we postponed the launch of our new canned drink – TW Tamarind Tea to June 2003 as well as the related promotional activities to the remainder of the year. This helped reduce the A&P expenses incurred for the period under review and control the operating loss of our FMCG business in this region at HK\$1.1 millions, representing a decrease of 10% from the loss of HK\$1.3 millions for the first six months of last year.

In the PRC, due to the restructure of our distribution network, we purposely held back most of the advertising and promotional activities and therefore, greatly reduced the A&P expenses by 55% to HK\$0.5 millions this half year. Our FMCG sales in this market increased by 2.9% whilst the gross margin increased by 6 percentage points as the result of better control of raw material costs and enhanced production efficiency. The business generated a half-year profit of HK\$1.2 millions, which was almost four times of the profit of same period last year.

Café

Our café business in Hong Kong and PRC recorded a decrease of 56.8% in turnover and a total operating loss of HK\$0.8 millions during the past six months. As scheduled, our café restaurant located in Tsimshatsui of Hong Kong closed in February 2003, for which staff redundancy and severance payment of approximately HK\$0.2 million were incurred. Our first “Sallsa café” in Shanghai just opened in July 2003 and we incurred pre-opening and other company expenses at a total of HK\$0.45 million during the half year ended 30 June 2003.

Geographical Markets

Our Hong Kong and Canadian markets remained profitable while our PRC business still operated at a loss. Our PRC subsidiary – TW Zhuhai incurred a loss of HK\$1.2 millions during the past six months, which was 10.5% less than the corresponding loss of last year.

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

In the first half of 2003, our group once again demonstrated our endurance to stand unshakably in the midst of crisis. The sudden attack of SARS has brought tremendous trauma to the society, both economically and psychologically. Consumers held up their spending and tourists cancelled their trips to Hong Kong. The retail market was at a deep trough with a pessimistic outlook prevailing. Besides SARS, the overall dissatisfaction towards government policies amongst the general public made the market even more sluggish. However, our group has only recorded a slight drop in turnover of 1.6% in our catering business of Hong Kong – our major source of contribution. Our profit before tax for Hong Kong was slightly down by 0.9% while the whole group was down by 2%.

Similar to Hong Kong, China was one of the hardest-hit areas by the fatal virus. Hotel and travel industry were adversely affected in the first half of 2003, particularly in the second quarter. Southern China, our core business territories, was found to be the source of the disease. Our business therefore suffered some setback and our turnover in the mainland has yet to recover. Our re-structuring exercise for the China operation was carried forward from 2002. In order for the sales operation in our catering business to be more effective and systematic, we have already converted our representative offices in Guangzhou, Shanghai and Beijing into branch offices. Catering business in these major cities are now mainly under our own autonomy rather than through distributors. While we had started similar restructuring exercise in other parts of China, the task was put on hold temporarily when SARS emerged in March 2003. We expect the situation in China to improve after September 2003, provided SARS do not return.

Our coffee shop project in China commenced with the opening of our first shop on 28 July 2003 in Shanghai. We are now focusing on building up a system for chain expansion and do not expect to be profitable in the short run. Meanwhile, we are actively hunting for suitable location in Shanghai and another tenancy agreement is already under negotiation. We aim to open our second café at the end of the year. We are confident that our niche strategy of Latin American theme and gender coffee differentiation in China will succeed.

Our foundation is in Hong Kong and we hold a strong confidence to the future of this business base. Despite the current difficulties, we believe the Hong Kong economy has already reached the bottom and will improve in near future. The Cepa (Closer Economic Partnership Arrangement), reached between Hong Kong and the mainland on 29 June 2003, signals the beginning of a new era. From January 2004, Cepa will ease restrictions for our mainland access in 17 service sectors, paving the way for zero tariffs on 273 classes of goods and lower investment barriers. We are looking forward to such favorable climate which will benefit our food & beverage business. The arrival of mainland tourist on individual basis after easing of the travel curb will also help boost up the economy

here with the influx of money for leisure and for investment. As a food & beverage caterer, we are excited to see the implementation of such policy since the demand for food and beverage products will be increased in hotels as well as in restaurants. Mainland tourist arrivals in Hong Kong are expected to rise to 10 million a year, up from 6 million in 2002. The tourism industry here is in fact steadily recovering from SARS outbreak, as arrivals exceeded 720,000 in June 2003.

After our IPO in Singapore at the end of 2001, we have experienced an even more serious economic downturn, especially with the sudden attack of SARS. Our group has held a conservative business approach and the key objective was to maintain our market share. In between, no large-scale expansion activities have been implemented. We are proud of our overall performance during the crisis and will be on the alert for any sign of economic rebound and will speed up our expansion plans once opportunities emerge.

11 Dividend

(a) *Current Financial Period Reported On*

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	14% per ordinary share or 3.5 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? 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

(c) *Date payable*

25 September 2003

(d) *Books closure date*

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be close on 16 September 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 15 September 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

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
Chairman and Managing Director
29 August 2003