

Tsit Wing International Holdings Limited

First Quarter Financial Statement And Dividend Announcement for the Period Ended 31/03/2006

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

**1(a)(i) 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>31/03/2006</u> | 3 months ended <u>31/03/2005</u> | Increase / (decrease) |
| | HK\$'000 | HK\$'000 | |
| Revenue | 72,690 | 72,414 | 0.4% |
| Cost of sales | (40,655) | (38,754) | 4.9% |
| Gross profit | <u>32,035</u> | <u>33,660</u> | (4.8%) |
| Other operating income | 561 | 607 | (7.6%) |
| Distribution costs | (11,702) | (11,841) | (1.2%) |
| Administrative expenses | (10,628) | (11,416) | (6.9%) |
| Finance cost | (108) | (61) | 77.1% |
| Profit before income tax | <u>10,158</u> | <u>10,949</u> | (7.2%) |
| Income tax expenses | (1,755) | (2,201) | (20.3%) |
| Profit for the period | <u>8,403</u> | <u>8,748</u> | (3.9%) |
| Attributable to: | | | |
| Equity holders of the parent | 8,342 | 8,815 | (5.4%) |
| Minority Interests | 61 | (67) | 191.0% |
| | <u>8,403</u> | <u>8,748</u> | (3.9%) |

1(a)(ii) Profit from ordinary activities before taxation has been arrived at after charging / (crediting):

| | <u>Group</u> | |
|---|---------------------------|---------------------------|
| | 3 months ended | 3 months ended |
| | <u>31/3/2006</u> | <u>31/3/2005</u> |
| | HK\$'000 | HK\$'000 |
| Interest income from non-related companies | (561) | (607) |
| Interest expense to non-related companies | 108 | 61 |
| Foreign exchange (gain) loss | (133) | 4 |
| Cost of share-based payment | 18 | 134 |
| Gain on disposal of property, plant & equipment | (21) | (106) |
| Depreciation expense | 2,781 | 2,121 |
| Allowance for doubtful trade receivables | 95 | 275 |
| Write back of allowance for inventories | (3) | (5) |

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>31/3/2006</u> | <u>31/12/2005</u> | <u>31/3/2006</u> | <u>31/12/2005</u> |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <u>ASSETS</u> | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 30,610 | 23,599 | 6,243 | 6,208 |
| Pledged bank balances | 6,601 | 6,583 | - | - |
| Loans receivables (note a) | 15,560 | 20,560 | - | - |
| Trade receivables | 38,126 | 44,414 | - | - |
| Other receivables and prepayments | 8,007 | 6,729 | 788 | 2,142 |
| Amount due from subsidiaries | - | - | 66,338 | 65,158 |
| Inventories | 48,247 | 49,706 | - | - |
| Total current assets | <u>147,151</u> | <u>151,591</u> | <u>73,369</u> | <u>73,508</u> |
| Non-current assets: | | | | |
| Subsidiaries | - | - | 78,563 | 78,653 |
| Property, plant & equipment | 60,985 | 61,608 | - | - |
| Goodwill | 1,621 | - | - | - |
| Deposits paid for acquisition of property, plant & equipment | 1,510 | 858 | - | - |
| Loans receivables (note a) | 49,240 | 49,240 | - | - |
| Deferred tax assets | 106 | 115 | - | - |
| Total non-current assets | <u>113,462</u> | <u>111,821</u> | <u>78,563</u> | <u>78,653</u> |
| Total assets | <u><u>260,613</u></u> | <u><u>263,412</u></u> | <u><u>151,932</u></u> | <u><u>152,161</u></u> |

Note (a): Loans receivables represent certificates of deposit, notes and other deposits placed with licensed banks and other financial institutions. These receivables, which the Group intends to hold to maturity, are principal-guaranteed, interest bearing and mature between 1 to 4 years.

| | <u>Group</u> | | <u>Company</u> | |
|---|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | <u>31/3/2006</u> HK\$'000 | <u>31/12/2005</u> HK\$'000 | <u>31/3/2006</u> HK\$'000 | <u>31/12/2005</u> HK\$'000 |
| <u>LIABILITIES AND EQUITY</u> | | | | |
| Current liabilities: | | | | |
| Trust receipts and other loans | 9,075 | 8,248 | - | - |
| Trade payables | 16,554 | 18,785 | - | - |
| Other payables | 5,994 | 11,348 | 703 | 2,154 |
| Income tax payable | 781 | - | - | - |
| Total current liabilities | <u>32,404</u> | <u>38,381</u> | <u>703</u> | <u>2,154</u> |
| Non-current liabilities: | | | | |
| Deferred income tax | <u>4,357</u> | <u>4,205</u> | <u>-</u> | <u>-</u> |
| Capital, reserves and minority interests: | | | | |
| Share capital | 48,168 | 48,108 | 48,168 | 48,108 |
| Share premium | 20,689 | 20,504 | 20,689 | 20,504 |
| Contributed surplus | 48,563 | 48,563 | 48,563 | 48,563 |
| Translation reserve | 295 | 262 | - | - |
| Employee share option reserve | 388 | 370 | 388 | 370 |
| Retained earnings | 105,749 | 97,407 | 33,421 | 32,462 |
| Equity attributable to equity holders of the parent | <u>223,852</u> | <u>215,214</u> | <u>151,229</u> | <u>150,007</u> |
| Minority interests | <u>-</u> | <u>5,612</u> | <u>-</u> | <u>-</u> |
| Total equity | <u>223,852</u> | <u>220,826</u> | <u>151,229</u> | <u>150,007</u> |
| Total liabilities and equity | <u>260,613</u> | <u>263,412</u> | <u>151,932</u> | <u>152,161</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 2006 | | As at 31 December 2005 | |
|---------------------|-----------|------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| 4,808 | 4,267 | 4,808 | 3,440 |

Amount repayable after one year

| As at 31 March 2006 | | As at 31 December 2005 | |
|---------------------|-----------|------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| - | - | - | - |

Details of any collateral

Certain of the Group's bank deposits have been pledged to a bank to secure credit facilities granted to a subsidiary.

1(c) 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 31/03/2006 HK\$'000 | 3 months ended 31/03/2005 HK\$'000 |
| Operating activities: | | |
| Profit before income tax | 10,158 | 10,949 |
| Adjustments for: | | |
| Depreciation expense | 2,781 | 2,121 |
| Interest expense | 108 | 61 |
| Write back of allowance for inventories | (3) | (5) |
| Allowance for doubtful trade receivables | 95 | 275 |
| Cost of share-based payment | 18 | 134 |
| Gain on disposal of property, plant & equipment | (21) | (106) |
| Interest income | (561) | (607) |
| Operating cash flows before movements in working capital | <u>12,575</u> | <u>12,822</u> |
| Trade receivables | 6,193 | 2,695 |
| Other receivables and prepayments | (1,966) | (760) |
| Inventories | 1,462 | 7,234 |
| Trade payables | (2,231) | 125 |
| Other payables | <u>(5,354)</u> | <u>(198)</u> |
| Cash generated from operations | 10,679 | 21,918 |
| Interest paid | (108) | (61) |
| Interest received | 561 | 607 |
| Income tax paid | <u>(125)</u> | <u>(2,279)</u> |
| Net cash from operating activities | <u>11,007</u> | <u>20,185</u> |
| Investing activities: | | |
| Purchase of property, plant & equipment | (2,155) | (5,054) |
| Acquisition of additional shares from minority shareholders | (5,673) | - |
| Goodwill on acquisition | (1,621) | - |
| Deposits paid for acquisition of property, plant & equipment | (652) | (8,157) |
| Proceeds from disposal of property, plant & equipment | 23 | 142 |
| Loans receivables | 5,000 | 14,193 |
| Net cash (used in) from investing activities | <u>(5,078)</u> | <u>1,124</u> |
| Financing activities: | | |
| Proceeds from short term loans | - | 1,818 |
| Proceeds from new share issue | 245 | 143 |
| Proceeds from trust receipts and other loans | 5,934 | 3,533 |
| Repayment of trust receipts and other loans | (5,107) | (5,753) |
| Pledged bank balance | (18) | (16) |
| Net cash from (used in) financing activities | <u>1,054</u> | <u>(275)</u> |
| Net cash and cash equivalents | 6,983 | 21,034 |
| Cash and cash equivalents at the beginning of the period | 23,599 | 19,784 |
| Effect of foreign exchange rate changes | 28 | 1 |
| Cash and cash equivalents at the end of the period | <u>30,610</u> | <u>40,819</u> |

1(d)(i) 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

| | Share Capital | Share Premium | Contributed Surplus | Translation Reserve | Employee Share Option Reserve | Retained Earnings | Total | Minority Interest | Total Equity |
|---|----------------------|----------------------|----------------------------|--------------------------------------|--------------------------------------|--------------------------|----------------|--------------------------|---------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Group | | | | | | | | | |
| Balance at 1 Jan 2005 | 48,069 | 20,400 | 48,563 | (707) | - | 78,535 | 194,860 | 5,678 | 200,538 |
| Currency translation differences | - | - | - | (1) | - | - | (1) | - | (1) |
| Share options exercised | 39 | 104 | - | - | - | - | 143 | - | 143 |
| Cost of share-based payment | - | - | - | - | 134 | - | 134 | - | 134 |
| Net profit for the period | - | - | - | - | - | 8,815 | 8,815 | (67) | 8,748 |
| Balance at 31 Mar 2005 | <u>48,108</u> | <u>20,504</u> | <u>48,563</u> | <u>(708)</u> | <u>134</u> | <u>87,350</u> | <u>203,951</u> | <u>5,611</u> | <u>209,562</u> |
| Balance at 1 Jan 2006 | 48,108 | 20,504 | 48,563 | 262 | 370 | 97,407 | 215,214 | 5,612 | 220,826 |
| Currency translation differences | - | - | - | 33 | - | - | 33 | - | 33 |
| Acquisition of additional shares from minority shareholders | - | - | - | - | - | - | - | (5,673) | (5,673) |
| Share options exercised | 60 | 185 | - | - | - | - | 245 | - | 245 |
| Cost of share-based payment | - | - | - | - | 18 | - | 18 | - | 18 |
| Net profit for the period | - | - | - | - | - | 8,342 | 8,342 | 61 | 8,403 |
| Balance at 31 Mar 2006 | <u>48,168</u> | <u>20,689</u> | <u>48,563</u> | <u>295</u> | <u>388</u> | <u>105,749</u> | <u>223,852</u> | <u>-</u> | <u>223,852</u> |
| | Share Capital | Share Premium | Contributed Surplus | Employee Share Option Reserve | Retained Earnings | Total | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | | |
| Company | | | | | | | | | |
| Balance at 1 Jan 2005 | 48,069 | 20,400 | 48,563 | - | 40,787 | 157,819 | | | |
| Share options exercised | 39 | 104 | - | - | - | 143 | | | |
| Cost of share-based payment | - | - | - | 134 | - | 134 | | | |
| Net profit for the period | - | - | - | - | 91 | 91 | | | |
| Balance at 31 Mar 2005 | <u>48,108</u> | <u>20,504</u> | <u>48,563</u> | <u>134</u> | <u>40,878</u> | <u>158,187</u> | | | |
| Balance at 1 Jan 2006 | 48,108 | 20,504 | 48,563 | 370 | 32,462 | 150,007 | | | |
| Share options exercised | 60 | 185 | - | - | - | 245 | | | |
| Cost of share-based payment | - | - | - | 18 | - | 18 | | | |
| Net profit for the period | - | - | - | - | 959 | 959 | | | |
| Balance at 31 Mar 2006 | <u>48,168</u> | <u>20,689</u> | <u>48,563</u> | <u>388</u> | <u>33,421</u> | <u>151,229</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**

During the first quarter of 2006, 240,000 (2005: 156,000) ordinary shares were issued as a result of an exercise of share options. No share option was granted under the Tsit Wing Employees' Share Option Scheme 2001 during the same period. However, 200,000 (2005: 440,000) share options granted previously lapsed upon leaving of a staff.

As at 31 March 2006, the number of share options outstanding was 952,000 (2005: 1,392,000).

- 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 a 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 preparation of the financial statements for the current reporting period as those applied in the audited financial statements for the year ended December 31, 2005.

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

- 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**

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS and amendments to FRS effective for accounting periods beginning 1 January 2006 and they are assessed to have no significant impact on the Group's financial positions and results of the Group.

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

| | 3 months ended 31/3/2006 | 3 months ended 31/3/2005 |
|--|--------------------------------|--------------------------------|
| Based on the weighted average number of ordinary shares in issue, and on a fully diluted basis | 4.33 HK cents 4.33 HK cents | 4.58 HK cents 4.58 HK cents |

Notes:

The basic earnings per share for the first quarter of financial years 2006 and 2005 are based on the group's profit attributable to shareholders divided by the weight average number of ordinary shares of 192,671,999 (2005 : 192,431,999) in issue during the period.

The fully diluted earnings per share for the first quarter of financial years 2006 and 2005 are based on the Group's profit attributable to shareholders divided by the adjusted weighted average number of ordinary shares of 192,750,999 and 192,541,999 respectively 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 financial period reported on; and**
(b) **immediately preceding financial year**

| | Group | | Company | |
|---|----------------|----------------|---------------|---------------|
| | 31/3/2006 | 31/12/2005 | 31/3/2006 | 31/12/2005 |
| Net asset backing per ordinary share based on issued share capital at the end of the period reported on | 116.2 HK cents | 111.8 HK cents | 78.5 HK cents | 78.0 HK cents |

Notes:

The net asset backing per ordinary share as at 31 March 2006 and 31 December 2005 are calculated based on the number of ordinary shares of 192,671,999 and 192,431,999 respectively in issue 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**

- (a) The group's turnover for the first quarter of 2006 amounted to HK\$72.7 million, which was about the same level as that of the corresponding period of last year as further explained in item 10 below. Due to the high coffee bean cost and increased sales volume in grocery products, the group's average gross profit margin for the period under review dropped to 44%, about 2% decrease as compared to that of last year. With our continuous stringent control over the operating expenses, the group's net profit attributable to shareholders was about HK\$8.3 million, decreased by about 5% as compared to that of last year.

Catering

The catering market contributed about 94% of the Group's turnover. The sale of coffee during the period under review maintained at the same level as that of last year. The sale of black tea dropped. With the continuous growth in sale of grocery products, the group's turnover in catering market increased slightly by 2% for the first quarter of 2006 as compared to that of last year.

Fast Moving Customer Goods (FMCG)

The group's sale in FMCG decreased slightly which was mainly due to the drop in the sale in the PRC market, while the sale in Hong Kong market remained the same as that of last year. As we ceased all our loss-making plastic bottle drink products in 2006, the group's FMCG business experienced a profit of HK\$0.3 million for the period under review.

- (b) The financial position of the Group remains sound and healthy. With the continuous profits contributed from our operating businesses, the Group's cash flow was strong. The current ratio of the Group as at the end of the first quarter of 2006 was 4.5 times, while it was 3.9 times as at the end of 2005.

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 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

In Hong Kong, the economy continued to grow in Q1 with positive GDP growth (GDP growth in the fourth quarter of 2005 was 7.6%) and the inflation rate was about 2%. Unfortunately, the Hong Kong landlord's aggressive demand to increase rental sharply has caused negative impact on both retail as well as catering operators. Due to difficult trading environment, quite a number of independent caterers decided to close down their shops after Chinese New Year. As our group's core income came from these independent caterers, we were also affected so much so that our Hong Kong Q1 sales performance was almost flat versus the same period of last year.

In China, the economy continued to prosper with 10.2% GDP growth and a mild inflation of 1.2% in Q1 versus the same period of last year. Benefiting from this good economic environment, our China catering business had strong double digit sales growth, plus a profitable operation in Q1 versus a loss in the same period of last year.

In FMCG, our decision to pull out of the plastic bottled drinks was rewarding. Although our sales revenue was down versus the same period of last year, we have seen continuous positive contribution from both of our China and Hong Kong FMCG operation. In order to reinforce our FMCG business, we shall put more marketing resources behind the brand to ensure that this business will continue to grow with sustained profitability.

We do not foresee favorable commodity prices in 2006 because of the weakening U.S. dollar and the plateauing but high U.S. interest rates and more speculative commodity trading is expected, and therefore we are building up our coffee and tea inventory.

With our continuous effort to exercise stringent control of operating expenses, we remain prudently optimistic on our full year business performance.

11 Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on? No

(b) *Corresponding Period of the Immediately Preceding Financial Year*

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

No

(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

Not applicable.

BY ORDER OF THE BOARD

**Wong Tat Tong
Chairman and Chief Executive Officer**

15 May 2006