

**Tsit Wing International Holdings Limited**

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**Second Quarter and Half Year Financial Statement And Dividend Announcement  
for the Period Ended June 30, 2006**

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**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>			<u>Group</u>		
	<u>6 months ended 30/06/2006</u>	<u>6 months ended 30/06/2005</u>	<u>Inc / (dec)</u>	<u>3 months ended 30/06/2006</u>	<u>3 months ended 30/06/2005</u>	<u>Inc / (dec)</u>
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
<b>Revenue</b>	156,720	155,865	0.5 %	84,030	83,451	0.7 %
Cost of sales	(89,550)	(83,842)	6.8 %	(48,895)	(45,088)	8.4 %
Gross profit	67,170	72,023	(6.7) %	35,135	38,363	(8.4) %
Other operating income	1,105	1,347	(18.0) %	544	740	(26.5) %
Distribution costs	(25,365)	(24,507)	3.5 %	(13,663)	(12,666)	7.9 %
Administrative expenses	(21,516)	(24,171)	(11.0) %	(10,888)	(12,755)	(14.6) %
Other operating expenses	-	(501)	N/A	-	(501)	N/A
Finance cost	(200)	(181)	10.5 %	(92)	(120)	(23.3) %
<b>Profit before income tax</b>	21,194	24,010	(11.7) %	11,036	13,061	(15.5) %
Income tax expense	(3,470)	(4,686)	(25.9) %	(1,715)	(2,485)	(31.0) %
Profit for the period	17,724	19,324	(8.3) %	9,321	10,576	(11.9) %
Attributable to:						
Equity holders of the parent	17,663	19,367	(8.8) %	9,321	10,552	(11.7) %
Minority Interest	61	(43)	241.9 %	-	24	N/A
	17,724	19,324	(8.3) %	9,321	10,576	(11.9) %

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

	<u>Group</u>		<u>Group</u>	
	<u>6 months ended</u> <u>30/06/2006</u> HK\$'000	<u>6 months ended</u> <u>30/06/2005</u> HK\$'000	<u>3 months ended</u> <u>30/06/2006</u> HK\$'000	<u>3 months ended</u> <u>30/06/2005</u> HK\$'000
Interest income from non-related companies	(1,105)	(1,347)	(544)	(740)
Interest expense to non-related companies	200	181	92	120
Foreign exchange (gain) loss	(433)	24	(300)	20
Cost of share-based payment	36	310	18	176
(Gain) Loss on disposal of property, plant and equipment	(190)	(64)	(169)	42
Depreciation expense	5,802	4,525	3,021	2,404
Allowance for doubtful trade receivables	406	604	311	329
Allowance (Write back) for inventories	3	(1)	6	4
Impairment loss on property, plant and equipment	-	501	-	501

**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>30/06/2006</u> HK\$'000	<u>31/12/2005</u> HK\$'000	<u>30/06/2006</u> HK\$'000	<u>31/12/2005</u> HK\$'000
<b><u>ASSETS</u></b>				
<b>Current assets:</b>				
Cash and cash equivalents	9,203	23,599	386	6,208
Pledged bank balances	7,800	6,583	-	-
Loans receivables (note a)	22,360	20,560	-	-
Trade receivables	43,244	44,414	-	-
Other receivables and prepayments	7,421	6,041	827	2,142
Tax recoverable	-	688	-	-
Amount due from subsidiaries	-	-	58,342	65,158
Inventories	49,319	49,706	-	-
<b>Total current assets</b>	<b>139,347</b>	<b>151,591</b>	<b>59,555</b>	<b>73,508</b>
<b>Non-current assets:</b>				
Subsidiaries	-	-	78,563	78,653
Property, plant and equipment	65,749	61,608	-	-
Goodwill	1,621	-	-	-
Deposits paid for acquisition of property, plant and equipment	317	858	-	-
Loans receivables (note a)	49,240	49,240	-	-
Deferred tax assets	120	115	-	-
<b>Total non-current assets</b>	<b>117,047</b>	<b>111,821</b>	<b>78,563</b>	<b>78,653</b>
<b>Total assets</b>	<b>256,394</b>	<b>263,412</b>	<b>138,118</b>	<b>152,161</b>

Note (a): Loan receivables represent certificate of deposits, 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 3 years.

	<u>Group</u>		<u>Company</u>	
	<u>30/6/2006</u>	<u>31/12/2005</u>	<u>30/6/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities:</b>				
Trust receipts and other loans	5,962	8,248	-	-
Trade payables	18,118	18,785	-	-
Other payables	6,537	11,348	955	2,154
Income tax payable	2,082	-	6	-
Total current liabilities	<u>32,699</u>	<u>38,381</u>	<u>961</u>	<u>2,154</u>
<b>Non-current liabilities:</b>				
Deferred income tax	<u>4,779</u>	<u>4,205</u>	-	-
<b>Capital, reserves and minority interests:</b>				
Share capital	48,186	48,108	48,186	48,108
Share premium	20,759	20,504	20,759	20,504
Contributed surplus	48,563	48,563	48,563	48,563
Translation reserve	382	262	-	-
Employee share option reserve	406	370	406	370
Retained earnings	100,620	97,407	19,243	32,462
Equity attributable to equity holders of the parent	<u>218,916</u>	<u>215,214</u>	<u>137,157</u>	<u>150,007</u>
<b>Minority interests</b>	-	<u>5,612</u>	-	-
<b>Total equity</b>	<u>218,916</u>	<u>220,826</u>	<u>137,157</u>	<u>150,007</u>
<b>Total liabilities and equity</b>	<u>256,394</u>	<u>263,412</u>	<u>138,118</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 30 June 2006		As at 31 December 2005	
Secured	Unsecured	Secured	Unsecured
HK\$	HK\$	HK\$	HK\$
4,808	1,154	4,808	3,440

**Amount repayable after one year**

As at 30 June 2006		As at 31 December 2005	
Secured	Unsecured	Secured	Unsecured
HK\$	HK\$	HK\$	HK\$
-	-	-	-

**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**

	<b>Group</b>		<b>Group</b>	
	<b>6 months</b>	<b>6 months</b>	<b>3 months</b>	<b>3 months</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b>30/06/2006</b>	<b>30/06/2005</b>	<b>30/06/2006</b>	<b>30/06/2005</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Operating activities:</b>				
Profit before income tax	21,194	24,010	11,036	13,061
Adjustments for:				
Depreciation expense	5,802	4,525	3,021	2,404
Impairment loss on property, plant and equipment	-	501	-	501
Interest expense	200	181	92	120
Allowance (Write back) for inventories	3	(1)	6	4
Allowance for doubtful trade receivables	406	604	311	329
Cost of share-based payment	36	310	18	176
Amortised cost of financial assets	-	113	-	113
(Gain) Loss on disposal of plant and equipment	(190)	(64)	(169)	42
Interest income	(1,105)	(1,347)	(544)	(740)
Operating cash flows before movements in working capital	26,346	28,832	13,771	16,010
Trade receivables	764	(4,557)	(5,429)	(7,252)
Other receivables and prepayments	(1,380)	39	586	799
Inventories	384	5,038	(1,078)	(2,196)
Trade payables	(667)	3,103	1,564	2,978
Other payables	(4,811)	(2,744)	543	(2,546)
Cash generated from operations	20,636	29,711	9,957	7,793
Dividend paid	(14,450)	(14,432)	(14,450)	(14,432)
Interest paid	(200)	(181)	(92)	(120)
Interest received	1,105	1,347	544	740
Income tax paid	(131)	(2,531)	(6)	(252)
Net cash from (used in) operating activities	6,960	13,914	(4,047)	(6,271)
<b>Investing activities:</b>				
Purchase of property, plant and equipment	(9,901)	(19,609)	(7,746)	(14,555)
Acquisition of additional shares from minority shareholders	(5,673)	-	-	-
Goodwill on acquisition	(1,621)	-	-	-
Deposits paid for acquisition of property, plant and equipment	541	(937)	1,193	7,220
Proceeds from disposal of property, plant and equipment	198	156	175	14
Loans receivables	(1,800)	14,038	(6,800)	(155)
Net cash used in investing activities	(18,256)	(6,352)	(13,178)	(7,476)
<b>Financing activities:</b>				
Proceeds from short term loans	-	3,636	-	1,818
Proceed from new share issue	333	143	88	-
Proceeds from trust receipts and other loans	10,231	9,185	4,297	5,652
Repayment of trust receipts and other loans	(12,517)	(10,963)	(7,410)	(5,210)
Pledged bank balance	(1,217)	78	(1,199)	94
Net cash (used in) from financing activities	(3,170)	2,079	(4,224)	2,354
Net (decrease) increase in cash and cash equivalents	(14,466)	9,641	(21,449)	(11,393)
Cash and cash equivalents at beginning of the period	23,599	19,784	30,610	40,819
Effect of foreign exchange rate changes	70	9	42	8
<b>Cash and cash equivalents at end of the period</b>	<b>9,203</b>	<b>29,434</b>	<b>9,203</b>	<b>29,434</b>

**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 HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Translation Reserve HK\$'000	Employee Share Option Reserve HK\$'000	Retained Earnings HK\$'000	Total HK\$'000	Minority Interest HK\$'000	Total Equity HK\$'000
<b>Group</b>									
Balance at 1 April 2006	48,168	20,689	48,563	295	388	105,749	223,852	-	223,852
Currency translation differences	-	-	-	87	-	-	87	-	87
Share options exercised	18	70	-	-	-	-	88	-	88
Cost of share-based payment	-	-	-	-	18	-	18	-	18
Net profit for the period	-	-	-	-	-	9,321	9,321	-	9,321
Dividend paid	-	-	-	-	-	(14,450)	(14,450)	-	(14,450)
Balance at 30 June 2006	<u>48,186</u>	<u>20,759</u>	<u>48,563</u>	<u>382</u>	<u>406</u>	<u>100,620</u>	<u>218,916</u>	-	<u>218,916</u>
Balance at 1 April 2005	48,108	20,504	48,563	(708)	134	87,350	203,951	5,611	209,562
Currency translation differences	-	-	-	(7)	-	-	(7)	-	(7)
Share options exercised	-	-	-	-	-	-	-	-	-
Cost of share-based payment	-	-	-	-	176	-	176	-	176
Net profit for the period	-	-	-	-	-	10,552	10,552	24	10,576
Dividend paid	-	-	-	-	-	(14,432)	(14,432)	-	(14,432)
Balance at 30 June 2005	<u>48,108</u>	<u>20,504</u>	<u>48,563</u>	<u>(715)</u>	<u>310</u>	<u>83,470</u>	<u>200,240</u>	<u>5,635</u>	<u>205,875</u>
	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000		Employee Share Option Reserve HK\$'000	Retained Earnings HK\$'000	Total HK\$'000		
<b>Company</b>									
Balance at 1 Apr 2006	48,168	20,689	48,563		388	33,421	151,229		
Share options exercised	18	70	-		-	-	88		
Cost of share-based payment	-	-	-		18	-	18		
Net profit for the period	-	-	-		-	272	272		
Dividend paid	-	-	-		-	(14,450)	(14,450)		
Balance at 30 Jun 2006	<u>48,186</u>	<u>20,759</u>	<u>48,563</u>		<u>406</u>	<u>19,243</u>	<u>137,157</u>		
Balance at 1 Apr 2005	48,108	20,504	48,563		134	40,878	158,187		
Share options exercised	-	-	-		-	-	-		
Cost of share-based payment	-	-	-		176	-	176		
Net profit for the period	-	-	-		-	12,159	12,159		
Dividend paid	-	-	-		-	(14,432)	(14,432)		
Balance at 30 Jun 2005	<u>48,108</u>	<u>20,504</u>	<u>48,563</u>		<u>310</u>	<u>38,605</u>	<u>156,090</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 second quarter of 2006, 72,000 ordinary shares (2005: nil) were issued as a result of an exercise of share options. No share option was granted during the period under review. As at June 30, 2006, the number of share options outstanding was 880,000 (As at June 30, 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 January 1, 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**

	6 months ended 30/06/2006	6 months ended 30/06/2005	3 months ended 30/06/2006	3 months ended 30/06/2005
Based on the weighted average number of ordinary shares in issue, and	9.17 HK cents	10.06 HK cents	4.84 HK cents	5.48HK cents
On a fully diluted basis	9.16 HK cents	10.05 HK cents	4.83 HK cents	5.48 HK cents

Notes:

The basic earnings per share is calculated based on the Group's profit attributable to shareholders divided by the weighted average number of ordinary shares in issue during those periods. The weighted average number of ordinary shares in issue during the first half year and second quarter of 2006 were 192,603,999 (2005: 192,431,999) and 192,695,999 (2005: 192,431,999) respectively.

The fully diluted earnings per share for the first half year and second quarter of financial year 2006 is based on the profit attributable to shareholders divided by the adjusted number of ordinary shares of 192,743,999 (2005: 192,647,999) and 192,756,999 (2005: 192,541,999) respectively in issue during those periods.

**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	
	30/06/2006	31/12/2005	30/06/2006	31/12/2005
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	113.6 HK cents	111.8 HK cents	71.2 HK cents	78.0 HK cents

Notes:

The net asset backing per ordinary share as at 30 June 2006 and 31 December 2005 are calculated based on the number of ordinary shares of 192,743,999 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 second quarter and first half year of 2006 were about HK\$84.0 million and HK\$156.7 million respectively, both of which was maintained at the same level as that of the corresponding periods for last year. During the six months ended June 30, 2006, the sales of agency grocery products increased satisfactorily and compensated for the drop in sales of black tea, while sales of coffee and FMCG products marginally improved as compared to the same period of last year.

The Group's gross profit for the first half year of 2006 amounted to about HK\$67.2 million. When compared to last year's HK\$72.0 million, gross profit has decreased by HK\$4.8 million. The gross profit ratio for the current period is 43%, a drop of 3% as compared to that of last year. The drop was mainly due to the change in sales mix as mentioned above and the sales of agency grocery products which has a lower gross margin as compared with sales of black tea products.

To mitigate the drop in gross profit, stringent cost control measures, particularly on administrative expenses, were exercised. The Group's net profit for the six months ended June 30, 2006 reduced moderately to HK\$17.7 million, about 8.3% decrease as compared to the same period of last year.

- (b) The financial position of the Group remained strong. The Group's operating businesses continued to perform profitably to enable a steady net cash inflow to the Group. The current ratio of the Group as at June 30, 2006 was 4.3 times, while it was 3.9 times as at December 31, 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**

The Hong Kong economy is back in full strength, with the real GDP steadily rising for more than two years, up by 7.3% in 2005 and 8.2% in the opening quarter of 2006. Domestic demand has resumed its growth momentum and is now playing an increasing role in the current economic upturn. Inflation has also been edging up, with consumer prices rising by 1.1% in 2005 and 1.8% in the first half of 2006, caused mainly by escalating property rent and high price of gasoline.

In China, GDP continued to have double digit growth in the first half of 2006, with consumption expenditures and catering sales increased by 13% and 15% respectively. In order to maintain stable economic growth, the Chinese Government has reinforced its macro economic control measures in China recently, particularly on the property market.

Our core catering business in Hong Kong is under pressure in the half year period, resulting from volatile commodity prices as well as some of our bistro customers switching to cheaper suppliers. Although we see sales growth in the coffee and grocery products, our black tea sales has dropped quite significantly and affected our bottom line performance. In view of this, we have conducted aggressive trade incentive programs to re-capture lost accounts and have started to see improvement.

We have also secured our raw material requirement for the balance of the year at favorable price levels. As a result of this we are confident that our gross profit margin for the year will remain satisfactory.

One encouraging development is the expansion of some regional chain customers into South East Asian markets. We will benefit from their expansion plans and expect to increase our export business accordingly.

Our China business is continuously improving. Riding on this positive momentum, we shall increase our focus and resources in developing the catering business in major cities. We will expand our office in Shanghai to become our national sales and marketing centre.

Our FMCG business attained double-digit sales growth in the first half-year of 2006 which was contributed by our dedicated efforts to focus primarily on instant drinks. To reinforce product sales growth, we have revamped the packaging and will launch new packs in Q3.

## 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 Amount per share (in cents)	3.5 HK cents per ordinary share (tax not applicable)
Optional: - Dividend Rate (in %)	14% 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	Interim
Dividend Type	Cash
Dividend Amount per share (in cents)	3.5 HK cents per ordinary share (tax not applicable)
Optional: - Dividend Rate (in %)	14% per ordinary share
Par value of shares	HK\$0.25
Tax Rate	N/A

### (c) *Date payable*

14 September 2006.

### (d) *Books closure date*

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 30 August 2006 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 29 August 2006 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**

Not applicable.

**BY ORDER OF THE BOARD**

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

**4 August 2006**