

Tsit Wing International Holdings Limited

(Incorporated in Bermuda with limited liabilities)

Third Quarter Financial Statements and Dividend Announcement for the Period Ended September 30, 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>			<u>Group</u>		
	<u>9 months ended 30/09/2006</u>	<u>9 months ended 30/09/2005</u>	<u>Inc / (dec)</u>	<u>3 months ended 30/09/2006</u>	<u>3 months ended 30/09/2005</u>	<u>Inc / (dec)</u>
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Revenue	234,410	234,566	(0.1) %	77,690	78,701	(1.3) %
Cost of sales	(133,529)	(128,433)	4.0 %	(43,979)	(44,591)	(1.4) %
Gross profit	100,881	106,133	(4.9) %	33,711	34,110	(1.2) %
Other operating income	1,514	2,288	(33.8) %	409	941	(56.5) %
Distribution costs	(39,110)	(36,578)	6.9 %	(13,745)	(12,071)	13.9 %
Administrative expenses	(31,321)	(35,595)	(12.0) %	(9,805)	(11,424)	(14.2) %
Other operating expenses	-	(687)	N/A	-	(186)	N/A
Finance cost	(289)	(322)	(10.2) %	(89)	(141)	(36.9) %
Profit before income tax	31,675	35,239	(10.1) %	10,481	11,229	(6.7) %
Income tax expense	(5,450)	(6,710)	(18.8) %	(1,980)	(2,024)	(2.2) %
Profit for the period	26,225	28,529	(8.1) %	8,501	9,205	(7.6) %
Attributable to:						
Equity holders of the parent	26,164	28,584	(8.5) %	8,501	9,217	(7.8) %
Minority Interest	61	(55)	210.9 %	-	(12)	N/A
	26,225	28,529	(8.1) %	8,501	9,205	(7.6) %

Note: Other operating expenses pertain to the impairment loss on property, plant and equipment.

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

	<u>Group</u> 9 months ended <u>30/09/2006</u> HK\$'000	<u>Group</u> 9 months ended <u>30/09/2005</u> HK\$'000	<u>Group</u> 3 months ended <u>30/09/2006</u> HK\$'000	<u>Group</u> 3 months ended <u>30/09/2005</u> HK\$'000
Interest income from non-related companies	(1,513)	(2,288)	(408)	(941)
Interest expense to non-related companies	289	322	89	141
Foreign exchange (gain) loss	(623)	(93)	(190)	(117)
Cost of share-based payment	52	341	16	31
(Gain) Loss on disposal of property, plant and equipment	(161)	410	29	474
Depreciation expense	8,921	7,140	3,119	2,615
Allowance for doubtful trade receivables	380	935	(26)	331
Allowance (Write back) for inventories	2	(1)	(1)	-
Impairment loss on property, plant and equipment	-	687	-	186

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>30/09/2006</u> HK\$'000	<u>31/12/2005</u> HK\$'000	<u>30/09/2006</u> HK\$'000	<u>31/12/2005</u> HK\$'000
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	26,449	23,599	90	6,208
Pledged bank balances	7,800	6,583	-	-
Loans receivables (note a)	14,140	20,560	-	-
Trade receivables	39,234	44,414	-	-
Other receivables and prepayments	8,354	6,041	1,315	1,896
Tax recoverable	-	688	-	246
Amount due from subsidiaries	-	-	51,418	65,158
Inventories	58,313	49,706	-	-
Total current assets	<u>154,290</u>	<u>151,591</u>	<u>52,823</u>	<u>73,508</u>
Non-current assets:				
Subsidiaries	-	-	78,563	78,653
Property, plant & equipment	67,347	61,608	-	-
Goodwill	1,621	-	-	-
Deposits paid for acquisition of property, plant and equipment	670	858	-	-
Loans receivables (note a)	36,660	49,240	-	-
Deferred tax assets	174	115	-	-
Total non-current assets	<u>106,472</u>	<u>111,821</u>	<u>78,563</u>	<u>78,653</u>
Total assets	<u>260,762</u>	<u>263,412</u>	<u>131,386</u>	<u>152,161</u>

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>30/09/2006</u>	<u>31/12/2005</u>	<u>30/09/2006</u>	<u>31/12/2005</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities:				
Trust receipts and other loans	5,514	8,248	-	-
Trade payables	17,638	18,785	-	-
Other payables	8,127	11,348	1,289	2,154
Income tax payable	3,930	-	-	-
Total current liabilities	<u>35,209</u>	<u>38,381</u>	<u>1,289</u>	<u>2,154</u>
Non-current liabilities:				
Deferred income tax	<u>4,890</u>	<u>4,205</u>	<u>-</u>	<u>-</u>
Capital, reserves and minority interests:				
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	358	262	-	-
Employee share option reserve	422	370	422	370
Retained earnings	102,375	97,407	12,167	32,462
Equity attributable to equity holders of the parent	<u>220,663</u>	<u>215,214</u>	<u>130,097</u>	<u>150,007</u>
Minority interests	<u>-</u>	<u>5,612</u>	<u>-</u>	<u>-</u>
Total equity	<u>220,663</u>	<u>220,826</u>	<u>130,097</u>	<u>150,007</u>
Total liabilities and equity	<u>260,762</u>	<u>263,412</u>	<u>131,386</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 September 2006		As at 31 December 2005	
Secured	Unsecured	Secured	Unsecured
HK\$	HK\$	HK\$	HK\$
4,808	706	4,808	3,440

Amount repayable after one year

As at 30 September 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

	<u>Group</u>		<u>Group</u>	
	9 months ended <u>30/09/2006</u> HK\$'000	9 months ended <u>30/09/2005</u> HK\$'000	3 months ended <u>30/09/2006</u> HK\$'000	3 months ended <u>30/09/2005</u> HK\$'000
Operating activities:				
Profit before income tax	31,675	35,239	10,481	11,229
Adjustments for:				
Depreciation expense	8,921	7,140	3,119	2,615
Impairment loss on property, plant and equipment	-	687	-	186
Interest expense	289	322	89	141
Allowance (Write back) for inventories	2	(1)	(1)	-
Allowance for doubtful trade receivables	380	935	(26)	331
Cost of share-based payment	52	341	16	31
Amortised cost of financial assets	-	126	-	13
(Gain) Loss on disposal of plant and equipment	(161)	410	29	474
Interest income	(1,513)	(2,288)	(408)	(941)
Operating cash flows before movements in working capital	39,645	42,911	13,299	14,079
Trade receivables	4,800	(599)	4,036	3,958
Other receivables and prepayments	(2,313)	1,320	(933)	1,281
Inventories	(8,609)	4,864	(8,993)	(174)
Trade payables	(1,147)	(1,928)	(480)	(5,031)
Other payables	(3,221)	(2,045)	1,590	699
Cash generated from operations	29,155	44,523	8,519	14,812
Dividend paid	(21,196)	(21,168)	(6,746)	(6,736)
Interest paid	(289)	(322)	(89)	(141)
Interest received	1,513	2,288	408	941
Income tax paid	(206)	(2,659)	(74)	(128)
Net cash from (used in) operating activities	<u>8,977</u>	<u>22,662</u>	<u>2,018</u>	<u>8,748</u>
Investing activities:				
Purchase of property, plant and equipment	(14,697)	(25,348)	(4,796)	(5,739)
Acquisition of additional shares from minority shareholders	(7,294)	-	-	-
Deposits paid for acquisition of property, plant and equipment	188	(962)	(353)	(25)
Proceeds from disposal of property, plant and equipment	239	197	41	41
Loans receivables	19,000	18,098	20,800	4,060
Net cash used in investing activities	<u>(2,564)</u>	<u>(8,015)</u>	<u>15,692</u>	<u>(1,663)</u>
Financing activities:				
Proceeds from short term loans	-	3,899	-	263
Proceed from new share issue	333	143	-	-
Proceeds from trust receipts and other loans	15,060	14,109	4,829	4,924
Repayment of trust receipts and other loans	(17,794)	(15,366)	(5,277)	(4,403)
Pledged bank balance	(1,217)	40	-	(38)
Net cash (used in) from financing activities	<u>(3,618)</u>	<u>2,825</u>	<u>(448)</u>	<u>746</u>
Net (decrease) increase in cash and cash equivalents	2,795	17,472	17,262	7,831
Cash and cash equivalents at beginning of the period	23,599	19,784	9,203	29,434
Effect of foreign exchange rate changes	55	(713)	(16)	(722)
Cash and cash equivalents at end of the period	<u><u>26,449</u></u>	<u><u>36,543</u></u>	<u><u>26,449</u></u>	<u><u>36,543</u></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 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
Group									
Balance at 1 July 2006	48,186	20,759	48,563	382	406	100,620	218,916	-	218,916
Currency translation differences	-	-	-	(24)	-	-	(24)	-	(24)
Cost of share-based payment	-	-	-	-	16	-	16	-	16
Net profit for the period	-	-	-	-	-	8,501	8,501	-	8,501
Dividend paid	-	-	-	-	-	(6,746)	(6,746)	-	(6,746)
Balance at 30 September 2006	<u>48,186</u>	<u>20,759</u>	<u>48,563</u>	<u>358</u>	<u>422</u>	<u>102,375</u>	<u>220,663</u>	<u>-</u>	<u>220,663</u>
Balance at 1 July 2005	48,108	20,504	48,563	(715)	310	83,470	200,240	5,635	205,875
Currency translation differences	-	-	-	(176)	-	-	(176)	-	(176)
Cost of share-based payment	-	-	-	-	31	-	31	-	31
Net profit for the period	-	-	-	-	-	9,217	9,217	(12)	9,205
Dividend paid	-	-	-	-	-	(6,736)	(6,736)	-	(6,736)
Balance at 30 September 2005	<u>48,108</u>	<u>20,504</u>	<u>48,563</u>	<u>(891)</u>	<u>341</u>	<u>85,951</u>	<u>202,576</u>	<u>5,623</u>	<u>208,199</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			
Company									
Balance at 1 July 2006	48,186	20,759	48,563	406	19,243	137,157			
Cost of share-based payment	-	-	-	16	-	16			
Net profit for the period	-	-	-	-	(330)	(330)			
Dividend paid	-	-	-	-	(6,746)	(6,746)			
Balance at 30 September 2006	<u>48,186</u>	<u>20,759</u>	<u>48,563</u>	<u>422</u>	<u>12,167</u>	<u>130,097</u>			
Balance at 1 July 2005	48,108	20,504	48,563	310	38,605	156,090			
Cost of share-based payment	-	-	-	31	-	31			
Net profit for the period	-	-	-	-	657	657			
Dividend paid	-	-	-	-	(6,736)	(6,736)			
Balance at 30 September 2005	<u>48,108</u>	<u>20,504</u>	<u>48,563</u>	<u>341</u>	<u>32,526</u>	<u>150,042</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 third quarter of 2006 there was no movement in the Company's share capital (2005: Nil). No share option was granted during the period under review. As at September 30, 2006, the number of share options outstanding was 880,000 (As at September 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.

- 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**

	9 months ended 30/09/2006	9 months ended 30/09/2005	3 months ended 30/09/2006	3 months ended 30/09/2005
Based on the weighted average number of ordinary shares in issue	13.58 HK cents	14.85 HK cents	4.41 HK cents	4.79 HK cents
Based on a fully diluted basis	13.57 HK cents	14.83HK cents	4.41 HK cents	4.79 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 nine months and third quarter of 2006 were 192,650,999 (2005: 192,431,999) and 192,743,999 (2005: 192,431,999) respectively.

The fully diluted earnings per share for the first nine months and third quarter of financial year 2006 were based on the profit attributable to shareholders divided by the adjusted number of ordinary shares in issue of 192,836,999 (2005: 192,751,999) and 192,789,999 (2005: 192,535,999) respectively.

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	
	30/09/2006	31/12/2005	30/09/2006	31/12/2005
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	114.5 HK cents	111.8 HK cents	67.5 HK cents	78.0 HK cents

Notes:

The net asset backing per ordinary share as at September 30, 2006 and December 31, 2005 were 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 third quarter and first nine months of 2006 were about HK\$78 million and HK\$234 million respectively, both of which were slightly lower than that of the corresponding periods for last year. Sales of coffee and grocery products increased during the period under review as compared to the corresponding period of last year. However, the increase was offset by the drop in the sales of blended black tea.

The gross profit ratio for the first nine months of 2006 was 43%, dropped by 2% when compared to the same period of last year. The group's gross profits for the period under review and same period of last year amounted to HK\$101 million and HK\$106 million respectively. The drop was mainly due to the decrease in sale of blended black tea that had higher profit margin than that of coffee and grocery products.

We continued to exercise stringent control over our operating expenses to mitigate the negative impact on the bottom line that arose from the drop in gross profit. The group's net profit for the nine months ended September 30, 2006 was about HK\$26 million, reduced by 8% as compared to same period of last year.

- (b) The financial position of the group remained strong. The group's businesses continued to operate profitably to ensure steady net cash inflow. The current ratio of the group as at September 30, 2006 improved to 4.4 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

During the period under review, our core catering business in Hong Kong remained under pressure resulting from persistently strong commodity prices and changing purchasing behavior of some of our bistro customers. We believe the general increase in business costs, particularly rising property rent, induced many bistro customers to switch to cheaper coffee/tea products of lower quality. New sales programs have been launched in this quarter to improve our services and to re-capture lost sales in black tea.

As commodity prices continue to rise, we have built up our inventory of coffee and tea so as to stabilize our raw material costs in the near future. Despite such measure, our profitability could still suffer in the short term as we might not be able to pass all the increasing costs to our customers. However, we will continue to implement measures to rationalize our business costs wherever possible.

Our China operation has improved. We have restructured our Zhuhai operation as a strategic production center in the PRC and embarked on a proactive sales development program in Shanghai which acts as the national sales and marketing headquarter. A new sales management team has been built to focus on catering business in major cities. New products will also be introduced to strengthen our catering operation.

The sales performance of our FMCG business remains steady throughout the year and outperformed the results of last financial year as we refocus our product line to three-in-one instant drinks. We will continue to be selective until new market trends and product developments are identified.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

Name of Dividend
Dividend Type
Dividend Amount per share (in cents)
Optional: - Dividend Rate (in %)
Par value of shares
Tax Rate

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

Name of Dividend
Dividend Type
Dividend Amount per share (in cents)
Optional: - Dividend Rate (in %)
Par value of shares
Tax Rate

(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.

CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(4) OF THE LISTING MANUAL

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results ended September 30, 2006 to be false or misleading.

On behalf of the Board of Directors

Tsit Wing International Holdings Limited

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

**Wong Tat Pui
Executive Director**

Hong Kong, November 13, 2006