

**Tsit Wing International Holdings Limited**

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**First Quarter Financial Statement And Dividend Announcement for the Period Ended 31/03/2007**

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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>Increase / (decrease)</u>
	<u>3 months ended 31/03/2007</u>	<u>3 months ended 31/03/2006</u>	
	HK\$'000	HK\$'000	
Revenue	84,358	72,690	16.1%
Cost of sales	(50,778)	(40,655)	24.9%
Gross profit	<u>33,580</u>	<u>32,035</u>	4.8%
Other operating income	628	561	11.9%
Distribution costs	(13,526)	(11,702)	15.6%
Administrative expenses	(10,363)	(10,628)	(2.5%)
Finance cost	(5)	(108)	(95.4%)
<b>Profit before income tax</b>	<u>10,314</u>	<u>10,158</u>	1.5%
Income tax expenses	(1,726)	(1,755)	(1.7%)
Profit for the period	<u>8,588</u>	<u>8,403</u>	2.2%
Attributable to:			
Equity holders of the parent	8,588	8,342	2.9%
Minority Interests	-	61	-
	<u>8,588</u>	<u>8,403</u>	2.2%

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>31/3/2007</u> HK\$'000	<u>31/3/2006</u> HK\$'000
Interest income from non-related companies	(628)	(561)
Interest expense to non-related companies	5	108
Foreign exchange gain	(103)	(133)
Cost of share-based payment	-	18
Loss (Gain) on disposal of property, plant & equipment	89	(21)
Depreciation expense	3,140	2,781
(Write back) Allowance for doubtful trade receivables	(5)	95
Write back of allowance for inventories	-	(3)

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>31/3/2007</u> HK\$'000	<u>31/12/2006</u> HK\$'000	<u>31/3/2007</u> HK\$'000	<u>31/12/2006</u> HK\$'000
<b><u>ASSETS</u></b>				
<b>Current assets:</b>				
Cash and cash equivalents	44,119	30,986	229	360
Loans receivables (note a)	16,380	20,380	-	-
Trade receivables	44,160	44,984	-	-
Other receivables and prepayments	7,658	6,569	653	1,389
Amount due from subsidiaries	-	-	82,203	82,607
Inventories	51,957	54,679	-	-
Total current assets	<u>164,274</u>	<u>157,598</u>	<u>83,085</u>	<u>84,356</u>
<b>Non-current assets:</b>				
Subsidiaries	-	-	78,563	78,563
Property, plant & equipment	67,244	67,744	-	-
Goodwill	1,621	1,621	-	-
Deposits paid for acquisition of property, plant & equipment	1,105	741	-	-
Loans receivables (note a)	36,660	36,660	-	-
Deferred tax assets	220	243	-	-
Total non-current assets	<u>106,850</u>	<u>107,009</u>	<u>78,563</u>	<u>78,563</u>
<b>Total assets</b>	<u>271,124</u>	<u>264,607</u>	<u>161,648</u>	<u>162,919</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 within 1 to 2 years.

	<u>Group</u>		<u>Company</u>	
	<u>31/3/2007</u> HK\$'000	<u>31/12/2006</u> HK\$'000	<u>31/3/2007</u> HK\$'000	<u>31/12/2006</u> HK\$'000
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities:</b>				
Trust receipts and other loans	1,523	2,680	-	-
Trade payables	18,674	16,394	-	-
Other payables	7,208	10,233	1,035	2,020
Income tax payable	245	686	-	-
Total current liabilities	<u>27,650</u>	<u>29,993</u>	<u>1,035</u>	<u>2,020</u>
<b>Non-current liabilities:</b>				
Deferred income tax	<u>5,017</u>	<u>4,785</u>	<u>-</u>	<u>-</u>
<b>Capital, reserves and minority interests:</b>				
Share capital	48,236	48,236	48,236	48,236
Share premium	20,977	20,977	20,977	20,977
Contributed surplus	48,563	48,563	48,563	48,563
Translation reserve	1,152	1,112	-	-
Employee share option reserve	422	422	422	422
Retained earnings	119,107	110,519	42,415	42,701
Equity attributable to equity holders of the parent	<u>238,457</u>	<u>229,829</u>	<u>160,613</u>	<u>160,899</u>
<b>Minority interests</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>	<u>238,457</u>	<u>229,829</u>	<u>160,613</u>	<u>160,899</u>
<b>Total liabilities and equity</b>	<u>271,124</u>	<u>264,607</u>	<u>161,648</u>	<u>162,919</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 2007		As at 31 December 2006	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
0	1,523	2,000	680

**Amount repayable after one year**

As at 31 March 2007		As at 31 December 2006	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
-	-	-	-

**Details of any collateral**

Not applicable.

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>	
	<b>3 months ended <u>31/03/2007</u> HK\$'000</b>	<b>3 months ended <u>31/03/2006</u> HK\$'000</b>
<b>Operating activities:</b>		
Profit before income tax	10,314	10,158
Adjustments for:		
Depreciation expense	3,140	2,781
Interest expense	5	108
Write back of allowance for inventories	-	(3)
(Write back) Allowance for doubtful trade receivables	(5)	95
Cost of share-based payment	-	18
Loss (Gain) on disposal of property, plant & equipment	89	(21)
Interest income	(628)	(561)
Operating cash flows before movements in working capital	<u>12,915</u>	<u>12,575</u>
Trade receivables	829	6,193
Other receivables and prepayments	(1,089)	(1,966)
Inventories	2,722	1,462
Trade payables	2,280	(2,231)
Other payables	(3,025)	(5,354)
Cash generated from operations	<u>14,632</u>	<u>10,679</u>
Interest paid	(5)	(108)
Interest received	628	561
Income tax paid	(1,912)	(125)
Net cash from operating activities	<u>13,343</u>	<u>11,007</u>
<b>Investing activities:</b>		
Purchase of property, plant & equipment	(2,828)	(2,155)
Acquisition of additional shares from minority shareholders	-	(5,673)
Goodwill on acquisition	-	(1,621)
Deposits paid for acquisition of property, plant & equipment	(364)	(652)
Proceeds from disposal of property, plant & equipment	116	23
Loans receivables	4,000	5,000
Net cash from (used in) investing activities	<u>924</u>	<u>(5,078)</u>
<b>Financing activities:</b>		
Repayment of short term loans	(2,000)	-
Proceeds from new share issue	-	245
Proceeds from trust receipts and other loans	1,523	5,934
Repayment of trust receipts and other loans	(680)	(5,107)
Pledged bank balance	-	(18)
Net cash (used in) from financing activities	<u>(1,157)</u>	<u>1,054</u>
Net cash and cash equivalents	13,110	6,983
Cash and cash equivalents at the beginning of the period	30,986	23,599
Effect of foreign exchange rate changes	23	28
<b>Cash and cash equivalents at the end of the period</b>	<u>44,119</u>	<u>30,610</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
<b>Group</b>									
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	48,168	20,689	48,563	295	388	105,749	223,852	-	223,852
Balance at 1 Jan 2007	48,236	20,977	48,563	1,112	422	110,519	229,829	-	229,829
Currency translation differences	-	-	-	40	-	-	40	-	40
Share options exercised	-	-	-	-	-	-	-	-	-
Cost of share-based payment	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	8,588	8,588	-	8,588
Balance at 31 Mar 2007	48,236	20,977	48,563	1,152	422	119,107	238,457	-	238,457
<b>Company</b>									
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	48,168	20,689	48,563	388	33,421	151,229			
Balance at 1 Jan 2007	48,236	20,977	48,563	422	42,701	160,899			
Share options exercised	-	-	-	-	-	-			
Cost of share-based payment	-	-	-	-	-	-			
Net loss for the period	-	-	-	-	(286)	(286)			
Balance at 31 Mar 2007	48,236	20,977	48,563	422	42,415	160,613			

**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 2007, no ordinary share was issued. No share option was granted under the Tsit Wing Employees' Share Option Scheme 2001 during the period under review.

The number of shares that may be issued on conversion of all share options outstanding as at March 31, 2007 was 680,000 (March 31, 2006: 952,000).

**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, 2006.

**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 financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	3 months ended 31/3/2007	3 months ended 31/3/2006
Based on the weighted average number of ordinary shares in issue, and on a fully diluted basis	4.45 HK cents 4.45 HK cents	4.33 HK cents 4.33 HK cents

Notes:

The basic earnings per share for the first quarter of 2007 is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares of 192,943,999 (2006 : 192,671,999) in issue during the period.

The fully diluted earnings per share for the first quarter of 2007 is calculated by dividing the Group's profit attributable to shareholders by the adjusted number of ordinary shares of 192,972,999 (2006: 192,590,999).

- 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	
	31/3/2007	31/12/2006	31/3/2007	31/12/2006
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	123.6 HK cents	119.1 HK cents	83.2 HK cents	83.4 HK cents

Notes:

The net asset backing per ordinary share as at 31 March 2007 and 31 December 2006 are calculated based on the number of ordinary shares of 192,943,999 in issue as at the respective dates.

- 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 2007 amounted to HK\$84.4 million, an increase by 16.1% as compared to the same period of last year. It was mainly attributable to the satisfactory growth in sales of coffee and grocery products. The turnover for the Group's PRC business segment increased by 63.5% during the first quarter of the year compared to that of last year.

Although the Group achieved satisfactory growth in turnover, the Group's gross profit has just slightly increased by 4.8% as compared to that of last year. It was mainly due to the continuous high coffee bean costs and comparatively lower profit margins for sale of grocery products.

During the period under review, the Group incurred higher distribution costs which were due to the increased spending on sales, marketing and promotion expenses. The Group continued to exercise tight control over the administrative expenses which were maintained at the same level as that of last year.

As a result, the Group achieved a 2.9% increase in the net profits attributable to shareholders, which amounted to HK\$8.6 million for the first quarter of 2007, when compared to the same period of last year.

- (b) The financial position of the Group was healthy. With the continuous profits contributed from our operating businesses, the Group's cash flow remains strong. The current ratio of the Group as at 31 March 2007 was 5.9 times, while it was 5.2 times as at the end of 2006.

- 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 quarter under review, our Hong Kong catering business started to gain improvement with sales increasing by 13.5% against the same period last year. Sales of coffee and tea were catching up albeit the improvement was modest. Some of the coffee and tea bistros who had switched to cheaper suppliers in 2006 began to revert to us as the use of lower quality products were hurting their business. We expect the trend will continue into the remaining quarters at a gradual pace. Sales of grocery products registered a growth of more than 30% against same period last year as we continue to expand our product portfolio to supplement sales of coffee and tea in order to consolidate and secure our market leader position in coffee and tea supply and to position ourselves as a one-stop food and beverages supplier to capture new customers.

Strong commodity prices of coffee and tea continue to dampen the gross profit margin; on the other hand, margin contribution from our increased grocery sales has offset some of the adverse effect of the rising raw material costs. As a result overall gross margin of the catering operation for the quarter under review had improved by only 4.8% in absolute terms versus same quarter last year but decreased by 3% against the average of last financial year. We anticipate the commodity prices will maintain at or exceed the price level of last year.

Our China business has shown very encouraging results in this quarter; the total turnover for this quarter was HK\$9.1 million, an increase of 63.5% against same period last year. Both coffee and black tea sales have attained double digit growth; the sales of black tea, in particular, increased by 98.6% as a result of our successful penetration into major chain restaurants.

Our FMCG business also achieved over 40% sales growth against the same period last year which reflected our dedicated efforts and investment in new products promotion and brand building in the China market.

In view of the result this quarter, the management will devote more efforts to launch sales campaign to defend and re-capture our coffee and tea sales volume in Hong Kong. At the same time, we will ride on the business growth in China and expand our product portfolio offerings in the key chain market.

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.

**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 March 31, 2007 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, May 14, 2007**