

# Tsit Wing International Holdings Limited

(Incorporated in Bermuda with limited liabilities)

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## Second Quarter and Half Year Financial Statements and Dividend Announcement for the year ended June 30, 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>Group</u>		
	6 months ended <u>30/6/2007</u>	6 months ended <u>30/6/2006</u>	<u>Inc / (dec)</u>	3 months ended <u>30/06/2007</u>	3 months ended <u>30/06/2006</u>	<u>Inc / (dec)</u>
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Revenue	174,500	156,720	11.3 %	90,142	84,030	7.3 %
Cost of sales	<u>(105,703)</u>	<u>(89,550)</u>	18.0 %	<u>(54,925)</u>	<u>(48,895)</u>	12.3 %
Gross profit	68,797	67,170	2.4 %	35,217	35,135	0.2 %
Other operating income	1,427	1,105	29.1 %	799	544	46.9 %
Distribution costs	(26,868)	(25,365)	5.9 %	(13,342)	(13,663)	(2.3) %
Administrative expenses	(21,711)	(21,516)	0.9 %	(11,348)	(10,888)	4.2 %
Finance cost	<u>(38)</u>	<u>(200)</u>	(81.0)%	<u>(33)</u>	<u>(92)</u>	(64.1) %
<b>Profit before income tax</b>	21,607	21,194	1.9 %	11,293	11,036	2.3 %
Income tax expense	<u>(3,605)</u>	<u>(3,470)</u>	3.9 %	<u>(1,879)</u>	<u>(1,715)</u>	9.6 %
<b>Profit for the period</b>	<u>18,002</u>	<u>17,724</u>	1.6 %	<u>9,414</u>	<u>9,321</u>	1.0 %
Attributable to:						
Equity holders of the parent	18,002	17,663	1.9 %	9,414	9,321	1.0 %
Minority Interest	-	61	N/A	-	-	N/A
	<u>18,002</u>	<u>17,724</u>	1.6 %	<u>9,414</u>	<u>9,321</u>	1.0 %

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

	<u>Group</u> 6 months ended <u>30/06/2007</u> HK\$'000	<u>Group</u> 6 months ended <u>30/06/2006</u> HK\$'000	<u>Group</u> 3 months ended <u>30/06/2007</u> HK\$'000	<u>Group</u> 3 months ended <u>30/06/2006</u> HK\$'000
Interest income from non-related companies	(1,427)	(1,105)	(791)	(544)
Interest expense to non-related companies	38	200	24	92
Foreign exchange gain	(323)	(433)	(220)	(300)
Cost of share-based payment	-	36	-	18
Loss (Gain) on disposal of property, plant and equipment	487	(190)	399	(169)
Depreciation expense	6,076	5,802	2,936	3,021
Allowance for doubtful trade receivables	126	406	131	311
Allowance for inventories	-	3	-	6

**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>30/06/2007</u> HK\$'000	<u>31/12/2006</u> HK\$'000	<u>30/06/2007</u> HK\$'000	<u>31/12/2006</u> HK\$'000
<b><u>ASSETS</u></b>				
<b>Current assets:</b>				
Cash and cash equivalents	48,389	30,986	100	360
Loans receivables (note a)	11,700	20,380	-	-
Trade receivables	44,742	44,984	-	-
Other receivables and prepayments	7,813	6,569	872	1,389
Amount due from subsidiaries	-	-	67,177	82,607
Inventories	57,523	54,679	-	-
<b>Total current assets</b>	<u>170,167</u>	<u>157,598</u>	<u>68,149</u>	<u>84,356</u>
<b>Non-current assets:</b>				
Subsidiaries	-	-	78,563	78,563
Property, plant & equipment	67,022	67,744	-	-
Goodwill	1,621	1,621	-	-
Deposits paid for acquisition of property, plant and equipment	419	741	-	-
Loans receivables (note a)	32,760	36,660	-	-
Deferred tax assets	256	243	-	-
<b>Total non-current assets</b>	<u>102,078</u>	<u>107,009</u>	<u>78,563</u>	<u>78,563</u>
<b>Total assets</b>	<u>272,245</u>	<u>264,607</u>	<u>146,712</u>	<u>162,919</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 within 2 years.

	<u>Group</u>		<u>Company</u>	
	<u>30/6/2007</u>	<u>31/12/2006</u>	<u>30/6/2007</u>	<u>31/12/2006</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	2,069	2,680	-	-
Trade payables	21,033	16,394	-	-
Other payables	8,513	10,233	1,250	2,020
Income tax payable	2,323	686	-	-
Total current liabilities	<u>33,938</u>	<u>29,993</u>	<u>1,250</u>	<u>2,020</u>
<b>Non-current liabilities:</b>				
Deferred income tax	<u>4,811</u>	<u>4,785</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	1,248	1,112	-	-
Employee share option reserve	422	422	422	422
Retained earnings	114,050	110,519	27,264	42,701
Equity attributable to equity holders of the parent	<u>233,496</u>	<u>229,829</u>	<u>145,462</u>	<u>160,899</u>
Minority interests	-	-	-	-
Total equity	<u>233,496</u>	<u>229,829</u>	<u>145,462</u>	<u>160,899</u>
Total liabilities and equity	<u>272,245</u>	<u>264,607</u>	<u>146,712</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 30 June 2007		As at 31 December 2006	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
-	2,069	2,000	680

**Amount repayable after one year**

As at 30 June 2007		As at 31 December 2006	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
-	-	-	-

**Details of any collateral**

Nil.

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>	
	6 months ended	6 months ended	3 months ended	3 months ended
	<u>30/06/2007</u> HK\$'000	<u>30/06/2006</u> HK\$'000	<u>30/06/2007</u> HK\$'000	<u>30/06/2006</u> HK\$'000
<b>Operating activities:</b>				
Profit before income tax	21,607	21,194	11,293	11,036
Adjustments for:				
Depreciation expense	6,076	5,802	2,936	3,021
Interest expense	38	200	24	92
Allowance for inventories	-	3	-	6
Allowance for doubtful trade receivables	126	406	131	311
Cost of share-based payment	-	36	-	18
Loss (gain) on disposal of plant and equipment	487	(190)	399	(169)
Interest income	(1,427)	(1,105)	(791)	(544)
Operating cash flows before movements in working capital	<u>26,907</u>	<u>26,346</u>	<u>13,992</u>	<u>13,771</u>
Trade receivables	116	764	(713)	(5,429)
Other receivables and prepayments	(1,244)	(1,380)	(155)	586
Inventories	(2,844)	384	(5,566)	(1,078)
Trade payables	4,639	(667)	2,359	1,564
Other payables	(1,720)	(4,811)	1,305	543
Cash generated from operations	<u>25,854</u>	<u>20,636</u>	<u>11,222</u>	<u>9,957</u>
Dividend paid	(14,471)	(14,450)	(14,471)	(14,450)
Interest paid	(38)	(200)	(24)	(92)
Interest received	1,427	1,105	791	544
Income tax paid	(1,955)	(131)	(43)	(6)
Net cash from (used in) operating activities	<u>10,817</u>	<u>6,960</u>	<u>(2,525)</u>	<u>(4,047)</u>
<b>Investing activities:</b>				
Purchase of property, plant and equipment	(6,122)	(9,901)	(3,295)	(7,746)
Acquisition of additional shares from minority shareholders	-	(5,673)	-	-
Goodwill on acquisition	-	(1,621)	-	-
Deposits paid for acquisition of property, plant and equipment	322	541	686	1,193
Proceeds from disposal of property, plant and equipment	375	198	258	175
Loans receivables	12,580	(1,800)	8,580	(6,800)
Net cash from (used in) investing activities	<u>7,155</u>	<u>(18,256)</u>	<u>6,229</u>	<u>(13,178)</u>
<b>Financing activities:</b>				
Proceeds from short term loans	(2,000)	-	-	-
Proceed from new share issue	-	333	-	88
Proceeds from trust receipts and other loans	9,672	10,231	5,826	4,297
Repayment of trust receipts and other loans	(8,283)	(12,517)	(5,280)	(7,410)
Pledged bank balance	-	(1,217)	-	(1,199)
Net cash (used in) from financing activities	<u>(611)</u>	<u>(3,170)</u>	<u>546</u>	<u>(4,224)</u>
Net increase (decrease) in cash and cash equivalents	<u>17,361</u>	<u>(14,466)</u>	<u>4,250</u>	<u>(21,449)</u>
Cash and cash equivalents at beginning of the period	30,986	23,599	44,119	30,610
Effect of foreign exchange rate changes	42	70	20	42
<b>Cash and cash equivalents at end of the period</b>	<u>48,389</u>	<u>9,203</u>	<u>48,389</u>	<u>9,203</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	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Group</b>								
Balance at 1 April 2007	48,236	20,977	48,563	1,152	422	119,107	238,457	238,457
Currency translation differences	-	-	-	96	-	-	96	96
Net profit for the period	-	-	-	-	-	9,414	9,414	9,414
Dividend paid	-	-	-	-	-	(14,471)	(14,471)	(14,471)
Balance at 30 June 2007	48,236	20,977	48,563	1,248	422	114,050	233,496	233,496
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	48,186	20,759	48,563	382	406	100,620	218,916	218,916
<b>Company</b>								
Balance at 1 April 2007	48,236	20,977	48,563	422	42,415	160,613		
Net profit for the period	-	-	-	-	(680)	(680)		
Dividend paid	-	-	-	-	(14,471)	(14,471)		
Balance at 30 June 2007	48,236	20,977	48,563	422	27,264	145,462		
Balance at 1 April 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 June 2006	48,186	20,759	48,563	406	19,243	137,157		

- 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**

No ordinary share (2006: 72,000) was issued during the second quarter of 2007. No share option was granted during the period under review. However, 200,000 share options lapsed during the period upon the resignation of a staff who was previously granted such options. As at June 30, 2007, the number of share options outstanding was 480,000 (As at June 30, 2006: 880,000).

- 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**

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS and amendments to FRS which became effective beginning January 1, 2007. Such adoption has no significant impact on the Group's financial position and results in respect of the current or prior periods.

- 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 30/06/2007	6 months ended 30/06/2006	3 months ended 30/06/2007	3 months ended 30/06/2006
Based on the weighted average number of ordinary shares in issue	9.33 HKcents	9.17 HK cents	4.88 HK cents	4.84 HK cents
Based on a fully diluted basis	9.33 HK cents	9.16 HK cents	4.88 HK cents	4.84 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 2007 were 192,943,999 (2006: 192,603,999) and 192,943,999 (2006: 192,695,999) respectively.

The fully diluted earnings per share for the first half year and second quarter of financial year 2007 is based on the profit attributable to shareholders divided by the adjusted weighted average number of ordinary shares of 192,999,999 (2006: 192,743,999) and 192,970,999 (2006: 192,756,999) 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	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	121.0 HK cents	119.1 HK cents	75.4 HK cents	83.4 HK cents

Notes:

The net asset backing per ordinary share was calculated based on the number of ordinary shares of 192,943,999 in issue both as at June 30, 2007 and December 31, 2006.

**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 achieved an increase of 11.3% in its turnover during the first half year of 2007. Turnover was HK\$174.5 million as compared to HK\$156.7 million for the same period of last year. The increase was mainly attributable to encouraging improvement in the Group's turnover in Mainland China. Sales of coffee and grocery products continued to grow but sales of black tea remained at the same level as that of last year.

Due to the continuous increase in the material costs of raw coffee beans and black tea, the Group's gross profit only increased slightly by 2.4% to HK\$68.8 million even though turnover grew by 11.3%. As a result, the gross profit ratio for the period under review dropped to 39.4% as compared to 42.9% for the same period of last year.

In achieving the turnover growth, the Group incurred higher selling, marketing and distribution expenses during the first half year of 2007. Under continuous stringent control, the Group's administrative expenses were maintained at the same level as that of last year.

As a result, the Group achieved a 1.6% increase in net profit attributable to shareholders, which amounted to HK\$18 million for the first half year of 2007, while it was HK\$17.7 million in the first half of last year.

- (b) The Group's cash flows and working capital position remained healthy and strong. Net cash inflow resulted from continuous profitability of the Group. The Group's current ratio as at June 30, 2007 was 5 times, while it was 5.3 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 1<sup>st</sup> half year of 2007, the Group's turnover improved by about 11% against the same period last year. As far as the Hong Kong's catering business was concerned, despite fierce competition in the local tea bistros' segment, we managed to maintain our sales of coffee and black tea at the same level as that of the same period last year. Sales to hotels, quick service restaurants and other food and beverage chain shops on the other hand, delivered double digit growth due to a buoyant local economy.

The commodity prices of coffee and tea continued to rise, so did dairy and other food and beverage products. Consequently, the Group experienced a drop in gross profit margin despite sales increases in the period.

In the coming 12 months, our major focus in the Hong Kong market will continue to be coffee and tea which are our core products. We will strengthen our sales organization to combat the increasingly competitive market, especially in the tea bistro segment. On the product front, the Group will offer a wider range of blended coffee and black tea in Q3 and Q4 to expand our market share.

Our China strategy of expanding sales penetration into hotels and major chain restaurants is delivering encouraging results. Total turnover in this sector for the 1<sup>st</sup> half of 2007 was HK\$20.5 million, an increase of 75.6% against same period last year.

- 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 %)	30% 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 %)	30% per ordinary share
Par value of shares	HK\$0.25
Tax Rate	N/A

(c) *Date payable*

September 14, 2007.

(d) *Books closure date*

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on August 30, 2007 on which day no share transfer will be effected. Duly completed transfers received by the Company's Share Transfer Agent, Lim Associates (Pte) Ltd. of 3 Church Street, #08-01 Samsung Hub, Singapore 049483 up to the close of business at 5:00 p.m. on August 30, 2007 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.

**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 June 30, 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, August 6, 2007**