

# Tsit Wing International Holdings Limited

(Incorporated in Bermuda with limited liabilities)

\*\*\*\*\*

## Third Quarter Financial Statements and Dividend Announcement for the Period Ended September 30, 2007

\*\*\*\*\*

### 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</u> <u>30/09/2007</u>	<u>9 months ended</u> <u>30/09/2006</u>	<u>Inc / (Dec)</u>	<u>3 months ended</u> <u>30/09/2007</u>	<u>3 months ended</u> <u>30/09/2006</u>	<u>Inc / (Dec)</u>
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Revenue	263,694	234,410	12.5 %	89,194	77,690	14.8 %
Cost of sales	(161,537)	(133,529)	21.0 %	(55,834)	(43,979)	27.0 %
Gross profit	102,157	100,881	1.3 %	33,360	33,711	(1.0) %
Other operating income	2,301	1,514	52.0 %	874	409	113.7 %
Distribution costs	(40,612)	(39,110)	3.8 %	(13,744)	(13,745)	0.0 %
Administrative expenses	(32,285)	(31,321)	3.1 %	(10,573)	(9,805)	7.8 %
Finance cost	(75)	(289)	(74.0) %	(37)	(89)	(58.4) %
<b>Profit before income tax</b>	<b>31,486</b>	<b>31,675</b>	<b>(0.6) %</b>	<b>9,880</b>	<b>10,481</b>	<b>(5.7) %</b>
Income tax expense	(5,092)	(5,450)	(6.6) %	(1,487)	(1,980)	(24.9) %
Profit for the period	26,394	26,225	0.6 %	8,393	8,501	(1.3) %
Attributable to:						
Equity holders of the parent	26,394	26,164	0.9 %	8,393	8,501	(1.3) %
Minority Interest	-	61	N/A	-	-	N/A
	<u>26,394</u>	<u>26,225</u>	0.6 %	<u>8,393</u>	<u>8,501</u>	(1.3) %

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

	<u>Group</u>	<u>Group</u>	<u>Group</u>	<u>Group</u>
	9 months	9 months	3 months	3 months
	ended	ended	ended	ended
	<u>30/09/2007</u>	<u>30/09/2006</u>	<u>30/09/2007</u>	<u>30/09/2006</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from non-related companies	(2,301)	(1,513)	(874)	(408)
Interest expense to non-related companies	75	289	37	89
Foreign exchange gain	(524)	(623)	(201)	(190)
Cost of share-based payment	-	52	-	16
Loss (gain) on disposal of property, plant and equipment	347	(161)	(140)	29
Depreciation expense	9,102	8,921	3,026	3,119
Allowance (Write back) for doubtful trade receivables	487	380	361	(26)
Allowance (Write back) for inventories	-	2	-	(1)

**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>30/09/2007</u>	<u>31/12/2006</u>	<u>30/09/2007</u>	<u>31/12/2006</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b><u>ASSETS</u></b>				
<b>Current assets:</b>				
Cash and cash equivalents	57,719	30,986	72	360
Loans receivables (note a)	28,860	20,380	-	-
Trade receivables	47,369	44,984	-	-
Other receivables and prepayments	6,780	6,569	1,243	1,389
Tax recoverable	-	-	26	-
Amount due from subsidiaries	-	-	60,085	82,607
Inventories	58,849	54,679	-	-
Total current assets	<u>199,577</u>	<u>157,598</u>	<u>61,426</u>	<u>84,356</u>
<b>Non-current assets:</b>				
Subsidiaries	-	-	78,563	78,563
Property, plant & equipment	67,395	67,744	-	-
Goodwill	1,621	1,621	-	-
Deposits paid for acquisition of property, plant and equipment	1,838	741	-	-
Loans receivables (note a)	7,800	36,660	-	-
Deferred tax assets	78	243	-	-
Total non-current assets	<u>78,732</u>	<u>107,009</u>	<u>78,563</u>	<u>78,563</u>
<b>Total assets</b>	<u>278,309</u>	<u>264,607</u>	<u>139,989</u>	<u>162,919</u>

Note (a): Loans 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 2 years.

	<u>Group</u>		<u>Company</u>	
	<u>30/09/2007</u>	<u>31/12/2006</u>	<u>30/09/2007</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	4,860	2,680	-	-
Trade payables	19,585	16,394	-	-
Other payables	9,963	10,233	1,520	2,020
Income tax payable	3,946	686	-	-
Total current liabilities	<u>38,354</u>	<u>29,993</u>	<u>1,520</u>	<u>2,020</u>
<b>Non-current liability:</b>				
Deferred income tax	<u>4,557</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	1,510	1,112	-	-
Employee share option reserve	422	422	422	422
Retained earnings	115,690	110,519	20,271	42,701
Equity attributable to equity holders of the parent	<u>235,398</u>	<u>229,829</u>	<u>138,469</u>	<u>160,899</u>
<b>Total equity</b>	<u>235,398</u>	<u>229,829</u>	<u>138,469</u>	<u>160,899</u>
<b>Total liabilities and equity</b>	<u>278,309</u>	<u>264,607</u>	<u>139,989</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 September 2007		As at 31 December 2006	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
-	4,860	2,000	680

**Amount repayable after one year**

As at 30 September 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**

	<u>Group</u>		<u>Group</u>	
	9 months ended <u>30/09/2007</u> HK\$'000	9 months ended <u>30/09/2006</u> HK\$'000	3 months ended <u>30/09/2007</u> HK\$'000	3 months Ended <u>30/09/2006</u> HK\$'000
<b>Operating activities:</b>				
Profit before income tax	31,486	31,675	9,880	10,481
Adjustments for:				
Depreciation expense	9,102	8,921	3,026	3,119
Interest expense	75	289	37	89
Allowance for inventories	-	2	-	(1)
Allowance for doubtful trade receivables	487	380	361	(26)
Cost of share-based payment	-	52	-	16
Loss (gain) on disposal of plant and equipment	347	(161)	(140)	29
Interest income	(2,301)	(1,513)	(874)	(408)
Operating cash flows before movements in working capital	39,196	39,645	12,290	13,299
Trade receivables	(2,872)	4,800	(2,988)	4,036
Other receivables and prepayments	(211)	(2,313)	1,033	(933)
Inventories	(4,170)	(8,609)	(1,326)	(8,993)
Trade payables	3,191	(1,147)	(1,448)	(480)
Other payables	(270)	(3,221)	1,450	1,590
Cash generated from operations	34,864	29,155	9,011	8,519
Dividend paid	(21,224)	(21,196)	(6,753)	(6,746)
Interest paid	(75)	(289)	(37)	(89)
Interest received	2,301	1,513	874	408
Income tax (paid) refund	(1,895)	(206)	60	(74)
Net cash from operating activities	13,971	8,977	3,155	2,018
<b>Investing activities:</b>				
Purchase of property, plant and equipment	(9,705)	(14,697)	(3,583)	(4,796)
Acquisition of additional shares from minority shareholders	-	(7,294)	-	-
Deposits paid for acquisition of property, plant and equipment	(1,097)	188	(1,419)	(353)
Proceeds from disposal of property, plant and equipment	758	239	384	41
Loans receivables	20,380	19,000	7,800	20,800
Net cash from (used in) investing activities	10,336	(2,564)	3,182	15,692
<b>Financing activities:</b>				
Proceeds from new share issue	-	333	-	-
Proceeds from trust receipts and other loans	19,239	15,060	9,567	4,829
Repayment of trust receipts and other loans	(17,059)	(17,794)	(6,776)	(5,277)
Pledged bank balance	-	(1,217)	-	-
Net cash from (used in) financing activities	2,180	(3,618)	2,791	(448)
Net increase in cash and cash equivalents	26,487	2,795	9,128	17,262
Cash and cash equivalents at beginning of the period	30,986	23,599	48,389	9,203
Effect of foreign exchange rate changes	246	55	202	(16)
<b>Cash and cash equivalents at end of the period</b>	<u>57,719</u>	<u>26,449</u>	<u>57,719</u>	<u>26,449</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

Group	Share Capital	Share Premium	Contributed Surplus	Translation Reserve	Employee Share Option Reserve	Retained Earnings	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 July 2007	48,236	20,977	48,563	1,248	422	114,050	233,496
Currency translation differences	-	-	-	262	-	-	262
Net profit for the period	-	-	-	-	-	8,393	8,393
Dividend paid	-	-	-	-	-	(6,753)	(6,753)
Balance at 30 September 2007	<u>48,236</u>	<u>20,977</u>	<u>48,563</u>	<u>1,510</u>	<u>422</u>	<u>115,690</u>	<u>235,398</u>
Balance at 1 July 2006	48,186	20,759	48,563	382	406	100,620	218,916
Currency translation differences	-	-	-	(24)	-	-	(24)
Cost of share-based payment	-	-	-	-	16	-	16
Net profit for the period	-	-	-	-	-	8,501	8,501
Dividend paid	-	-	-	-	-	(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>
Company	Share Capital	Share Premium	Contributed Surplus	Employee Share Option Reserve	Retained Earnings	Total Equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 July 2007	48,236	20,977	48,563	422	27,264	145,462	
Net profit for the period	-	-	-	-	(240)	(240)	
Dividend paid	-	-	-	-	(6,753)	(6,753)	
Balance at 30 September 2007	<u>48,236</u>	<u>20,977</u>	<u>48,563</u>	<u>422</u>	<u>20,271</u>	<u>138,469</u>	
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>	

- 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 2007 there was no movement in the Company's share capital (2006: Nil). No share option was granted during the period under review. As at September 30, 2007, the number of share options outstanding was 480,000 (As at September 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 effective for accounting periods beginning January 1, 2007 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 30/09/2007	9 months ended 30/09/2006	3 months ended 30/09/2007	3 months ended 30/09/2006
Based on the weighted average number of ordinary shares in issue	13.68 HK cents	13.58 HK cents	4.35 HK cents	4.41 HK cents
Based on a fully diluted basis	13.67 HK cents	13.57HK cents	4.35 HK cents	4.41 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 2007 were 192,943,999 (2006: 192,650,999) and 192,943,999 (2006: 192,743,999) respectively.

The fully diluted earnings per share for the first nine months and third quarter of financial year 2007 were based on the profit attributable to shareholders divided by the adjusted number of ordinary shares in issue of 193,028,999 (2006: 192,836,999) and 192,972,999 (2006: 192,789,999) 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	
	30/09/2007	31/12/2006	30/09/2007	31/12/2006
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	122 HK cents	119.1 HK cents	71.8 HK cents	83.4 HK cents

Notes:

The net asset backing per ordinary share as at September 30, 2007 and December 31, 2006 were calculated based on the number of ordinary shares of 192,943,999 in issue at both 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 nine months ended 30 September 2007 amounted to HK\$263.7 million, representing an increase of 12.5% as compared to same period of last year. About 50% of the increase was contributed from the growth in our business in Mainland China. The Group's sales of coffee and black tea for the period under review experienced 5% and 9% increase respectively as compared to that of last year. For the Group's sale of grocery, it continued to increase satisfactorily.

Facing the negative impact from the continuous increase in costs of raw coffee beans and black tea, the Group's gross profit ratio for the period under review was 38.7%, while it was 43.0% for the same period in 2006. Overall, the Group's gross profit amount was HK\$102.2 million which was marginally higher than that of last year.

We continued to exercise stringent control over our distribution costs and administrative expenses which had increased by 3.8% and 3.1% respectively when compared to same period of last year.

The net profit attributable to shareholders for the nine months ended 30 September 2007 was HK\$26.4 million which was similar to that of last year.

- (b) The cash flow and working capital positions of the Group remained strong and healthy. The Group continued to achieve steady profits and positive cash flows from our operations. The Group's current ratio as at September 30, 2007 was 5.2 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 nine months under review, the Group's turnover improved by 12.5% against the same period last year. As far as the Hong Kong catering business was concerned, coffee sales to the tea bistro segment are regaining momentum after conducting an intensive sales drive to open up new accounts and to re-capture lost business. We were also able to increase the wholesale prices moderately in the 2<sup>nd</sup> quarter. Black tea sales also gradually pick up with the introduction of four new tea varieties specially targeted at the price-sensitive customer segment. A new range of coffee varieties targeted at changing customer taste preferences is in place for launching in the 4<sup>th</sup> quarter of this year to further expand market share in the tea bistro segment. Sales to quick services restaurants remain strong.

Prices of coffee, tea and non-dairy creamer continue to rise and are likely to remain on the high side due to global demand for commodities and supply constraints. The rising commodity costs have dampened our gross margin. During the period, the group's sales of other products, such as grocery and dairy products, which had relatively lower profit margins than coffee and tea, continued to contribute positively to our bottom line. To improve our gross margin, we have launched products rationalization program to focus on the profitable items.

On the Hong Kong front, we continue to focus on our core products, i.e. coffee and black teas. The re-building of a stronger sales organization and the adoption of a new sales management system are underway and are targeted for completion in the 4<sup>th</sup> quarter of 2007.

China's economy continues to remain buoyant in the 3<sup>rd</sup> quarter of 2007. Its active stock and property markets fuel the consumption market. In 2006, F&B retails sales in China already exceeded RMB1,000 billion representing a year to year growth of 16.7%. We believe the market can maintain the same growth momentum in 2007.

In line with the flourishing China's economy, our China business in the period from January to September in 2007 was encouraging and recorded an increase of 79% in turnover. In 2006, our core strategy in the mainland was to expand sales penetration into hotels and major chain restaurants. In 2007, we expect to penetrate further into key chains in the general catering market segment. Channel expansion and product development are the keys in our business expansion plan.

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 September 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, November 9, 2007**