

Tsit Wing International Holdings Limited

First Quarter Financial Statement And Dividend Announcement for the Period Ended 31/03/2008

**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>3 months ended 31/03/2008</u>	<u>Group</u>	<u>3 months ended 31/03/2007</u>	<u>Increase / (decrease)</u>
	HK\$'000		HK\$'000	
Revenue	97,673		84,358	15.8%
Cost of sales	(61,528)		(50,778)	21.2%
Gross profit	<u>36,145</u>		<u>33,580</u>	7.6%
Other operating income	660		628	5.1%
Distribution costs	(14,816)		(13,526)	9.5%
Administrative expenses	(11,836)		(10,363)	14.2%
Finance cost	(34)		(5)	580.0%
Profit before income tax	<u>10,119</u>		<u>10,314</u>	(1.9%)
Income tax expenses	(1,374)		(1,726)	(20.4%)
Profit for the period	<u><u>8,745</u></u>		<u><u>8,588</u></u>	1.8%

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>31/3/2008</u> HK\$'000	<u>31/3/2007</u> HK\$'000
Interest income from non-related companies	(660)	(628)
Interest expense to non-related companies	34	5
Foreign exchange gain	(118)	(103)
Loss on disposal of property, plant & equipment	67	89
Depreciation expense	3,486	3,140
Allowance (Write back) for doubtful trade receivables	122	(5)

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>31/3/2008</u>	<u>31/12/2007</u>	<u>31/3/2008</u>	<u>31/12/2007</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	100,792	67,599	47	68
Loans receivables (note a)	9,408	28,860	-	-
Bills receivables	-	128	-	-
Trade receivables	52,025	48,445	-	-
Other receivables and prepayments	10,827	4,565	692	1,556
Amounts due from subsidiaries	-	-	89,289	90,144
Inventories	55,540	57,388	-	-
Total current assets	<u>228,592</u>	<u>206,985</u>	<u>90,028</u>	<u>91,768</u>
Non-current assets:				
Subsidiaries	-	-	78,563	78,563
Property, plant & equipment	69,325	69,522	-	-
Goodwill	1,621	1,621	-	-
Deposits paid for acquisition of property, plant & equipment	643	1,078	-	-
Loans receivables (note a)	-	7,800	-	-
Deferred tax assets	138	121	-	-
Total non-current assets	<u>71,727</u>	<u>80,142</u>	<u>78,563</u>	<u>78,563</u>
Total assets	<u>300,319</u>	<u>287,127</u>	<u>168,591</u>	<u>170,331</u>

	<u>Group</u>		<u>Company</u>	
	<u>31/3/2008</u> HK\$'000	<u>31/12/2007</u> HK\$'000	<u>31/3/2008</u> HK\$'000	<u>31/12/2007</u> HK\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities:				
Trust receipts and other loans	5,850	1,949	-	-
Bills payables	-	786	-	-
Trade payables	24,574	20,329	-	-
Other payables	7,689	11,725	1,006	1,988
Derivative financial instruments (note b)	1,682	-	-	-
Income tax payable	2,539	896	-	-
Total current liabilities	<u>42,334</u>	<u>35,685</u>	<u>1,006</u>	<u>1,988</u>
Non-current liabilities:				
Deferred income tax	<u>4,293</u>	<u>4,620</u>	<u>-</u>	<u>-</u>
Capital and reserves:				
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	3,713	3,906	-	-
Hedging reserves (note b)	(1,682)	-	-	-
Employee share option reserve	207	207	207	207
Retained earnings	133,678	124,933	49,602	50,360
Total equity	<u>253,692</u>	<u>246,822</u>	<u>167,585</u>	<u>168,343</u>
Total liabilities and equity	<u>300,319</u>	<u>287,127</u>	<u>168,591</u>	<u>170,331</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 2 years.

(b) The derivative financial instruments and hedging reserves represent hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

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 2008		As at 31 December 2007	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
-	5,850	-	1,949

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>	
	3 months ended <u>31/03/2008</u> HK\$'000	3 months ended <u>31/03/2007</u> HK\$'000
Operating activities:		
Profit before income tax	10,119	10,314
Adjustments for:		
Depreciation expense	3,486	3,140
Interest expense	34	5
Allowance (Write back) for doubtful trade receivables	122	(5)
Loss on disposal of property, plant & equipment	67	89
Interest income	(660)	(628)
Operating cash flows before movements in working capital	<u>13,168</u>	<u>12,915</u>
Bills receivables	128	-
Trade receivables	(3,702)	829
Other receivables and prepayments	(6,262)	(1,089)
Inventories	1,848	2,722
Bills payables	(786)	-
Trade payables	4,245	2,280
Other payables	(4,036)	(3,025)
Cash generated from operations	<u>4,603</u>	<u>14,632</u>
Interest paid	(34)	(5)
Interest received	660	628
Income tax paid	(75)	(1,912)
Net cash from operating activities	<u>5,154</u>	<u>13,343</u>
Investing activities:		
Purchase of property, plant & equipment	(3,509)	(2,828)
Deposits paid for acquisition of property, plant & equipment	435	(364)
Proceeds from disposal of property, plant & equipment	153	116
Loans receivables	27,252	4,000
Net cash from investing activities	<u>24,331</u>	<u>924</u>
Financing activities:		
Repayment of short term loans	-	(2,000)
Proceeds from trust receipts and other loans	14,693	1,523
Repayment of trust receipts and other loans	(10,792)	(680)
Net cash from (used in) financing activities	<u>3,901</u>	<u>(1,157)</u>
Net cash and cash equivalents	<u>33,386</u>	<u>13,110</u>
Cash and cash equivalents at the beginning of the period	67,599	30,986
Effect of foreign exchange rate changes	(193)	23
Cash and cash equivalents at the end of the period	<u><u>100,792</u></u>	<u><u>44,119</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

Group	Share Capital	Share Premium	Contributed Surplus	Translation Reserve	Hedging Reserve	Employee Share Option Reserve	Retained Earnings	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 Jan 2007	48,236	20,977	48,563	1,112	-	422	110,519	229,829
Currency translation differences	-	-	-	40	-	-	-	40
Net profit for the period	-	-	-	-	-	-	8,588	8,588
Balance at 31 Mar 2007	48,236	20,977	48,563	1,152	-	422	119,107	238,457
Balance at 1 Jan 2008	48,236	20,977	48,563	3,906	-	207	124,933	246,822
Currency translation differences	-	-	-	(193)	-	-	-	(193)
Financial instrument reserves	-	-	-	-	(1,682)	-	-	(1,682)
Net profit for the period	-	-	-	-	-	-	8,745	8,745
Balance at 31 Mar 2008	48,236	20,977	48,563	3,713	(1,682)	207	133,678	253,692
Company	Share Capital	Share Premium	Contributed Surplus	Employee Share Option Reserve	Retained Earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 Jan 2007	48,236	20,977	48,563	422	42,701	160,899		
Net loss for the period	-	-	-	-	(286)	(286)		
Balance at 31 Mar 2007	48,236	20,977	48,563	422	42,415	160,613		
Balance at 1 Jan 2008	48,236	20,977	48,563	207	50,360	168,343		
Net loss for the period	-	-	-	-	(758)	(758)		
Balance at 31 Mar 2008	48,236	20,977	48,563	207	49,602	167,585		

- 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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 2008, 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, 2008 was 480,000 (March 31, 2007: 680,000).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.**

The total number of issued shares excluding treasury shares.

	As at 31/03/2008	As at 31/12/2007
	192,943,999	192,943,999

- 1(d)(iv) A Statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 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, 2007.

- 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, 2008 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

	3 months ended 31/3/2008	3 months ended 31/3/2007
Based on the weighted average number of ordinary shares in issue, and on a fully diluted basis	4.53 HK cents 4.53 HK cents	4.45 HK cents 4.45 HK cents

Notes:

The basic earnings per share for the first quarter of 2008 is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares of 192,943,999 (2007 : 192,943,999) in issue during the period.

The fully diluted earnings per share for the first quarter of 2008 is calculated by dividing the Group's profit attributable to shareholders by the adjusted number of ordinary shares of 192,977,999 (2007: 192,972,999).

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	
	31/3/2008	31/12/2007	31/3/2008	31/12/2007
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	131.5 HK cents	127.9 HK cents	86.9 HK cents	87.2 HK cents

Notes:

The net asset backing per ordinary share as at 31 March 2008 and 31 December 2007 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 2008 amounted to HK\$97.7 million, an increase of 15.8% as compared to the same period of last year. It was mainly attributable to the satisfactory growth in sales of tea and grocery products. The turnover for the Group's PRC business segment increased by 112% 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 just increased by 7.6% 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 but with global commodity prices remaining high, inflation followed as salaries, management fees and cost of other services also rose. Consequently, the Group's administrative expenses increased significantly during the period.

As a result, the Group achieved a 1.8% increase in the net profits attributable to shareholders, which amounted to HK\$8.7 million for the first quarter of 2008, 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 2008 was 5.4 times, while it was 5.8 times as at the end of 2007.

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 1st quarter of this financial year, our Group's turnover improved by 15.8% against the same period last year. To combat material cost escalation of coffee and tea in the first quarter, we have moderately increased the price of our tea products in the Hong Kong catering channels in March to be followed by a similar scale price increase for our coffee products in April. However, the magnitude of these price increases will not be enough to fully offset the increase in material costs due to intense market competition.

With a stronger sales management system and a more focused sales strategy in place, we have been able to effectively reverse the rate of customer attrition whilst at the same time, speed up new customer acquisition especially in the tea bistro segments. Sales of coffee and tea in the tea bistro segment remain steady while the sales to the quick service restaurants increased by 9% against same period last year.

As the underlying inflationary pressure in Hong Kong will remain high throughout 2008, we foresee a tough business operating environment for our catering customers. The surging food costs together with escalating rental costs will continue to put pressure on the small, independent operators in the tea bistro outlets, forcing them to cut down their operating costs or even squeezing them out of business. To address such adverse situation, we will focus our selling effort in protecting our major customer base and at the same time, intensifying brand visibility at the point of consumption to strengthen TW awareness and establish loyalty amongst both customers and end-users.

Our China business has shown very encouraging results in this quarter with a total turnover of HK\$19.3 million which represented an increase of 112% against same period last year. However, the high global commodity prices and the problem of rising food costs will further drive up the consumer price inflation in China to about 6% in this year from 4.8% in 2007.

Same as the catering business operators in Hong Kong, our customers in China are becoming more cost conscious and a number of catering operators may have to close down their businesses. As in the Hong Kong market, we will focus not only on market penetration and expansion but also on securing quality customers by improving our overall products and services standards to these quality customers.

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, 2008 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, 2008