

Tsit Wing International Holdings Limited

(Incorporated in Bermuda with limited liabilities)

Second Quarter and Half Year Financial Statements and Dividend Announcement for the year ended June 30, 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>Group</u> | | | <u>Group</u> | | |
|--------------------------|------------------------------------|------------------------------------|--------------------|-------------------------------------|-------------------------------------|--------------------|
| | 6 months ended <u>30/6/2008</u> | 6 months ended <u>30/6/2007</u> | <u>Inc / (dec)</u> | 3 months ended <u>30/06/2008</u> | 3 months ended <u>30/06/2007</u> | <u>Inc / (dec)</u> |
| | HK\$'000 | HK\$'000 | | HK\$'000 | HK\$'000 | |
| Revenue | 195,120 | 174,500 | 11.8% | 97,447 | 90,142 | 8.1% |
| Cost of sales | (127,269) | (105,703) | 20.4% | (65,741) | (54,925) | 19.7% |
| Gross profit | 67,851 | 68,797 | (1.4)% | 31,706 | 35,217 | (10.0)% |
| Other operating income | (1,231) | 1,427 | (200.3)% | (1,891) | 799 | (342.7)% |
| Distribution costs | (30,190) | (26,868) | 12.4% | (15,374) | (13,342) | 15.2% |
| Administrative expenses | (23,781) | (21,711) | 9.5% | (11,945) | (11,348) | 5.3% |
| Finance cost | (76) | (38) | 100.0% | (42) | (33) | 27.3% |
| Profit before income tax | 12,573 | 21,607 | (41.8)% | 2,454 | 11,293 | (78.3)% |
| Income tax expense | (2,298) | (3,605) | (36.3)% | (924) | (1,879) | (50.8)% |
| Profit for the period | 10,275 | 18,002 | (42.9)% | 1,530 | 9,414 | (83.7)% |

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

| | <u>Group</u> 6 months ended <u>30/06/2008</u> HK\$'000 | <u>Group</u> 6 months ended <u>30/06/2007</u> HK\$'000 | <u>Group</u> 3 months ended <u>30/06/2008</u> HK\$'000 | <u>Group</u> 3 months ended <u>30/06/2007</u> HK\$'000 |
|---|--|--|--|--|
| Interest income from non-related companies | (975) | (1,427) | (315) | (791) |
| Interest expense to non-related companies | 76 | 38 | 42 | 24 |
| Foreign exchange gain | (283) | (323) | (165) | (220) |
| Loss on disposal of property, plant and equipment | 155 | 487 | 88 | 399 |
| Depreciation expense | 7,128 | 6,076 | 3,642 | 2,936 |
| Allowance for doubtful trade receivables | 265 | 126 | 143 | 131 |

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>30/06/2008</u> HK\$'000 | <u>31/12/2007</u> HK\$'000 | <u>30/06/2008</u> HK\$'000 | <u>31/12/2007</u> HK\$'000 |
| <u>ASSETS</u> | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 71,133 | 67,599 | 43 | 68 |
| Loans receivables (note a) | 12,508 | 28,860 | - | - |
| Bills receivables | - | 128 | - | - |
| Trade receivables | 47,815 | 48,445 | - | - |
| Other receivables and prepayments | 14,368 | 4,565 | 857 | 1,556 |
| Amount due from subsidiaries | - | - | 73,651 | 90,144 |
| Inventories | 74,944 | 57,388 | - | - |
| Total current assets | <u>220,768</u> | <u>206,985</u> | <u>74,551</u> | <u>91,768</u> |
| Non-current assets: | | | | |
| Subsidiaries | - | - | 78,563 | 78,563 |
| Property, plant & equipment | 67,929 | 69,522 | - | - |
| Goodwill | 1,621 | 1,621 | - | - |
| Deposits paid for acquisition of property, plant and equipment | 1,033 | 1,078 | - | - |
| Loans receivables (note a) | - | 7,800 | - | - |
| Deferred tax assets | 162 | 121 | - | - |
| Total non-current assets | <u>70,745</u> | <u>80,142</u> | <u>78,563</u> | <u>78,563</u> |
| Total assets | <u>291,513</u> | <u>287,127</u> | <u>153,114</u> | <u>170,331</u> |

| | <u>Group</u> | | <u>Company</u> | |
|--|------------------|-------------------|------------------|-------------------|
| | <u>30/6/2008</u> | <u>31/12/2007</u> | <u>30/6/2008</u> | <u>31/12/2007</u> |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <u>LIABILITIES AND EQUITY</u> | | | | |
| Current liabilities: | | | | |
| Trust receipts and other loans | 4,706 | 1,949 | - | - |
| Bills payables | - | 786 | - | - |
| Trade payables | 24,175 | 20,329 | - | - |
| Other payables | 7,544 | 11,725 | 996 | 1,988 |
| Derivative financial instruments (note b) | 1,763 | - | - | - |
| Income tax payable | 3,476 | 896 | - | - |
| Total current liabilities | 41,664 | 35,685 | 996 | 1,988 |
| Non-current liabilities: | | | | |
| Deferred income tax | 4,071 | 4,620 | - | - |
| Capital, reserves and minority interests: | | | | |
| 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 | 7,058 | 3,906 | - | - |
| Employee share option reserve | 207 | 207 | 207 | 207 |
| Retained earnings | 120,737 | 124,933 | 34,135 | 50,360 |
| Equity attributable to equity holders of the parent | 245,778 | 246,822 | 152,118 | 168,343 |
| Minority interests | - | - | - | - |
| Total equity | 245,778 | 246,822 | 152,118 | 168,343 |
| Total liabilities and equity | 291,513 | 287,127 | 153,114 | 170,331 |

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 30 June 2008 | | As at 31 December 2007 | |
|--------------------|-----------|------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| - | 4,706 | - | 1,949 |

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> | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 6 months ended | 6 months ended | 3 months ended | 3 months ended |
| | <u>30/06/2008</u> HK\$'000 | <u>30/06/2007</u> HK\$'000 | <u>30/06/2008</u> HK\$'000 | <u>30/06/2007</u> HK\$'000 |
| Operating activities: | | | | |
| Profit before income tax | 12,573 | 21,607 | 2,454 | 11,293 |
| Adjustments for: | | | | |
| Depreciation expense | 7,128 | 6,076 | 3,642 | 2,936 |
| Interest expense | 76 | 38 | 42 | 24 |
| Allowance (write back) for doubtful trade receivables | 265 | 126 | 143 | 131 |
| Loss on disposal of plant and equipment | 155 | 487 | 88 | 399 |
| Interest income | (975) | (1,427) | (315) | (791) |
| Operating cash flows before movements in working capital | <u>19,222</u> | <u>26,907</u> | <u>6,054</u> | <u>13,992</u> |
| Bills receivables | 128 | - | - | - |
| Trade receivables | 365 | 116 | 4,067 | (713) |
| Other receivables and prepayments | (9,803) | (1,244) | (3,541) | (155) |
| Inventories | (17,556) | (2,844) | (19,404) | (5,566) |
| Bills payables | (786) | - | - | - |
| Trade payables | 3,846 | 4,639 | (399) | 2,359 |
| Other payables | (2,418) | (1,720) | 1,618 | 1,305 |
| Cash generated from operations | <u>(7,002)</u> | <u>25,854</u> | <u>(11,605)</u> | <u>11,222</u> |
| Dividend paid | (14,471) | (14,471) | (14,471) | (14,471) |
| Interest paid | (76) | (38) | (42) | (24) |
| Interest received | 975 | 1,427 | 315 | 791 |
| Income tax paid | (308) | (1,955) | (233) | (43) |
| Net cash (used in) from operating activities | <u>(20,882)</u> | <u>10,817</u> | <u>(26,036)</u> | <u>(2,525)</u> |
| Investing activities: | | | | |
| Purchase of property, plant and equipment | (5,032) | (6,122) | (1,523) | (3,295) |
| Deposits paid for acquisition of property, plant and equipment | 45 | 322 | (390) | 686 |
| Proceeds from disposal of property, plant and equipment | 232 | 375 | 79 | 258 |
| Loans receivables | 24,152 | 12,580 | (3,100) | 8,580 |
| Net cash from (used in) investing activities | <u>19,397</u> | <u>7,155</u> | <u>(4,934)</u> | <u>6,229</u> |
| Financing activities: | | | | |
| Repayment of short term loans | - | (2,000) | - | - |
| Proceeds from trust receipts and other loans | 34,156 | 9,672 | 19,463 | 5,826 |
| Repayment of trust receipts and other loans | (31,399) | (8,283) | (20,607) | (5,280) |
| Pledged bank balance | - | - | - | - |
| Net cash from (used in) from financing activities | <u>2,757</u> | <u>(611)</u> | <u>(1,144)</u> | <u>546</u> |
| Net increase (decrease) in cash and cash equivalents | <u>1,272</u> | <u>17,361</u> | <u>(32,114)</u> | <u>4,250</u> |
| Cash and cash equivalents at beginning of the period | 67,599 | 30,986 | 100,792 | 44,119 |
| Effect of foreign exchange rate changes | 2,262 | 42 | 2,455 | 20 |
| Cash and cash equivalents at end of the period | <u>71,133</u> | <u>48,389</u> | <u>71,133</u> | <u>48,389</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 Apr 2008 | 48,236 | 20,977 | 48,563 | 3,713 | (1,682) | 207 | 133,678 | 253,692 |
| Currency translation differences | - | - | - | 3,345 | - | - | - | 3,345 |
| Financial instrument reserves | - | - | - | - | 1,682 | - | - | 1,682 |
| Net profit for the period | - | - | - | - | - | - | 1,530 | 1,530 |
| Dividend Paid | - | - | - | - | - | - | (14,471) | (14,471) |
| Balance at 30 Jun 2008 | 48,236 | 20,977 | 48,563 | 7,058 | - | 207 | 120,737 | 245,778 |
| Balance at 1 Apr 2007 | 48,236 | 20,977 | 48,563 | 1,152 | - | 422 | 119,107 | 238,457 |
| Currency translation differences | - | - | - | 96 | - | - | - | 96 |
| Net profit for the period | - | - | - | - | - | - | 9,414 | 9,414 |
| Dividend paid | - | - | - | - | - | - | (14,471) | (14,471) |
| Balance at 30 Jun 2007 | 48,236 | 20,977 | 48,563 | 1,248 | - | 422 | 114,050 | 233,496 |

Company

| 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 Apr 2008 | 48,236 | 20,977 | 48,563 | 207 | 49,602 | 167,585 |
| Net loss for the period | - | - | - | - | (996) | (996) |
| Dividend paid | - | - | - | - | (14,471) | (14,471) |
| Balance at 30 Jun 2008 | 48,236 | 20,977 | 48,563 | 207 | 34,135 | 152,118 |
| Balance at 1 Apr 2007 | 48,236 | 20,977 | 48,563 | 422 | 42,415 | 160,613 |
| Net loss for the period | - | - | - | - | (680) | (680) |
| Dividend paid | - | - | - | - | (14,471) | (14,471) |
| Balance at 30 Jun 2007 | 48,236 | 20,977 | 48,563 | 422 | 27,264 | 145,462 |

- 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 second 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 June 30, 2008 was 480,000 (June 30, 2007: 480,000).

- 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.**

| | As at 30/06/2008 | As at 31/12/2007 |
|--|---------------------|---------------------|
| The total number of issued shares excluding treasury shares. | 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 which became effective 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

| | 6 months ended 30/06/2008 | 6 months ended 30/06/2007 | 3 months ended 30/06/2008 | 3 months ended 30/06/2007 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Based on the weighted average number of ordinary shares in issue | 5.33 HKcents | 9.33 HK cents | 0.79 HK cents | 4.88 HK cents |
| Based on a fully diluted basis | 5.32 HK cents | 9.33 HK cents | 0.79 HK cents | 4.88 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 2008 were 192,943,999 (2007: 192,943,999) and 192,943,999 (2007: 192,943,999) respectively.

The fully diluted earnings per share for the first half year and second quarter of financial year 2008 is based on the profit attributable to shareholders divided by the adjusted weighted average number of ordinary shares of 193,014,999 (2007: 192,999,999) and 192,980,999 (2007: 192,970,999) respectively.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: -

- (a) current financial period reported on; and
- (b) immediately preceding financial year

| | Group | | Company | |
|---|-------------------|-------------------|------------------|------------------|
| | 30/06/2008 | 31/12/2007 | 30/06/2008 | 31/12/2007 |
| Net asset backing per ordinary share based on issued share capital at the end of the period reported on | 127.4 HK cents | 127.9 HK cents | 78.8 HK cents | 87.2 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, 2008 and December 31, 2007.

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 six month period ending 30th June 2008 increased by 11.8% (HK\$20.6 million) compared to the same period of last year, reaching HK\$195.1 million.

The sales of our core products, namely coffee and tea, are satisfactory. The sales of milk and FMCG products also made meaningful contributions to the improved top line performance.

However, the Group's gross profit margin dropped substantially to 34.8% versus 39.4% of last year. It was primarily due to the continuous high raw material costs.

The management had taken responsive measures to the volatile commodity market and engaged in hedging and trading activities to manage the cost of raw material. As of 30th June 2008, the Group recorded a mark-to-market loss of HK\$2.2 million of which HK\$1.7 million is unrealized. The contracts were settled in July and the unrealized loss had been reversed in full.

During the period under review, the Group also faced with the increase in marketing and distribution costs to support sales growth, as well as administrative and HR related overheads in view of inflationary effects. Consequently, the Group's total operating expenses also increased 11.1% as compared to the same period of last year.

It resulted in net profit of HK\$10.3 million attributable to shareholders, a decrease of HK\$7.7 million, for the 1st half year in 2008 compared with the same period of last year.

- (b) The financial position of the Group is healthy. With the continuous profits contributed from our operating business, the Group's cash flow remains strong. The current ratio of the Group as at 30 June 2008 was 5.3 times, compared to 5.8 times 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

The first half of 2008 saw a steady up-trend of our coffee & tea core business upon our restructuring of the management team, and effective implementation of the sales management system in Hong Kong. Volume sales grew by 5.4% year-on-year as a result of focused efforts in acquiring new customers and recapturing lost business. However, our price increase was not enough to offset the escalating raw material costs. As a result, our gross profit margin was under pressure.

Sales in China for the first half of 2008 increased by 77% as compared to last year, however the operating profit dropped by 50%. This was attributable to high raw material costs, changing product mix, and increase in operating costs.

The Group's continuous efforts in stepping up R&D and Marketing lead to the introduction of new products to different market channels and segments to improve our market penetration as well as building the Tsit Wing brand equity.

Looking ahead, the operating environment in Hong Kong and China are facing numerous challenges. In addition to the volatile and rising trends of raw material cost, inflation is becoming a major threat to the business landscape. Inflation in China has jumped to 8% with Hong Kong not far behind. High energy and food prices, rising wages and rentals, as well as the weakness of the Hong Kong dollar are likely to continue to exert pressure on the local F&B businesses.

In the second half of 2008, we anticipate more closing down of small independent tea bistros. Competition will continue to intensify as smaller players further slash prices for survival. Customers' brand switching to lower priced products may recur.

While the macro business environment is seen to be deteriorating, the Group is confident that with our financial strengths, strong fundamentals and commitment, we will overcome these medium term challenges and continue our leadership position in the industry.

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 12, 2008.

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed from 5:00p.m. on August 29, 2008 on which day no share transfer will be effected. Duly completed transfers received by the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services 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 29, 2008 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, 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, August 6, 2008