

Tsit Wing International Holdings Limited

(Incorporated in Bermuda with limited liabilities)

Third Quarter Financial Statements and Dividend Announcement for the year ended September 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>		
	<u>9 months ended 30/09/2008</u>	<u>9 months ended 30/09/2007</u>	<u>Inc / (dec)</u>	<u>3 months ended 30/09/2008</u>	<u>3 months ended 30/09/2007</u>	<u>Inc / (dec)</u>
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Revenue	295,334	263,694	12.0%	100,214	89,194	12.4%
Cost of sales	(193,938)	(161,537)	20.1%	(66,669)	(55,834)	19.4 %
Gross profit	101,396	102,157	(0.7)%	33,545	33,360	0.6 %
Other operating income	1,878	2,301	(18.4)%	3,109	874	255.7 %
Distribution costs	(45,717)	(40,612)	12.6%	(15,527)	(13,744)	13.0 %
Administrative expenses	(35,490)	(32,285)	9.9%	(11,709)	(10,573)	10.7 %
Finance cost	(113)	(75)	50.7%	(37)	(37)	0.0 %
Profit before income tax	21,954	31,486	(30.3)%	9,381	9,880	(5.0) %
Income tax expense	(4,403)	(5,092)	(13.5)%	(2,105)	(1,487)	41.6 %
Profit for the period	17,551	26,394	(33.5)%	7,276	8,393	(13.3) %

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

	<u>Group</u> 9 months ended <u>30/09/2008</u> HK\$'000	<u>Group</u> 9 months ended <u>30/09/2007</u> HK\$'000	<u>Group</u> 3 months ended <u>30/09/2008</u> HK\$'000	<u>Group</u> 3 months ended <u>30/09/2007</u> HK\$'000
Interest income from non-related companies	(1,373)	(2,301)	(398)	(874)
Interest expense to non-related companies	113	75	37	37
Foreign exchange (gain)/loss	(91)	(524)	192	(201)
Loss/(Gain) on disposal of property, plant and equipment	119	347	(36)	(140)
Depreciation expense	10,778	9,102	3,650	3,026
Allowance for doubtful trade receivables	437	487	172	361

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>30/09/2008</u> HK\$'000	<u>31/12/2007</u> HK\$'000	<u>30/09/2008</u> HK\$'000	<u>31/12/2007</u> HK\$'000
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	76,189	67,599	42	68
Held-to-maturity investments (note a)	6,184	-	-	-
Loans receivables (note b)	-	28,860	-	-
Bills receivables	-	128	-	-
Trade receivables	50,396	48,445	-	-
Other receivables and prepayments	11,060	4,565	1,201	1,556
Amount due from subsidiaries	-	-	66,164	90,144
Inventories	79,112	57,388	-	-
Total current assets	<u>222,941</u>	<u>206,985</u>	<u>67,407</u>	<u>91,768</u>
Non-current assets:				
Subsidiaries	-	-	78,563	78,563
Property, plant & equipment	67,151	69,522	-	-
Goodwill	1,621	1,621	-	-
Deposits paid for acquisition of property, plant and equipment	655	1,078	-	-
Loans receivables (note b)	-	7,800	-	-
Deferred tax assets	192	121	-	-
Total non-current assets	<u>69,619</u>	<u>80,142</u>	<u>78,563</u>	<u>78,563</u>
Total assets	<u>292,560</u>	<u>287,127</u>	<u>145,970</u>	<u>170,331</u>

	<u>Group</u>		<u>Company</u>	
	<u>30/09/2008</u>	<u>31/12/2007</u>	<u>30/09/2008</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	4,428	1,949	-	-
Bills payables	-	786	-	-
Trade payables	21,752	20,329	-	-
Other payables	11,291	11,725	1,453	1,988
Income tax payable	4,837	896	-	-
Total current liabilities	42,308	35,685	1,453	1,988
Non-current liabilities:				
Deferred income tax	4,081	4,620	-	-
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	6,928	3,906	-	-
Employee share option reserve	207	207	207	207
Retained earnings	121,260	124,933	26,534	50,360
Equity attributable to equity holders of the parent	246,171	246,822	144,517	168,343
Total liabilities and equity	292,560	287,127	145,970	170,331

Note:

- (a) Held-to-maturity investments represent bonds carried at amortised cost. The bonds, which the Group intends to hold to maturity, bearing interests and mature not more than 12 months.
- (b) 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.

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 2008		As at 31 December 2007	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
-	4,428	-	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>	
	9 months ended <u>30/09/2008</u> HK\$'000	9 months ended <u>30/09/2007</u> HK\$'000	3 months ended <u>30/09/2008</u> HK\$'000	3 months ended <u>30/09/2007</u> HK\$'000
Operating activities:				
Profit before income tax	21,954	31,486	9,381	9,880
Adjustments for:				
Depreciation expense	10,778	9,102	3,650	3,026
Interest expense	113	75	37	37
Allowance (write back) for doubtful trade receivables	437	487	172	361
Loss/(Gain) on disposal of plant and equipment	119	347	(36)	(140)
Interest income	(1,373)	(2,301)	(398)	(874)
Operating cash flows before movements in working capital	<u>32,028</u>	<u>39,196</u>	<u>12,806</u>	<u>12,290</u>
Bills receivables	128	-	-	-
Trade receivables	(2,388)	(2,872)	(2,753)	(2,988)
Other receivables and prepayments	(6,495)	(211)	3,308	1,033
Inventories	(21,724)	(4,170)	(4,168)	(1,326)
Bills payables	(786)	-	-	-
Trade payables	1,423	3,191	(2,423)	(1,448)
Other payables	(434)	(270)	1,984	1,450
Cash generated from operations	<u>1,752</u>	<u>34,864</u>	<u>8,754</u>	<u>9,011</u>
Dividend paid	(21,224)	(21,224)	(6,753)	(6,753)
Interest paid	(113)	(75)	(37)	(37)
Interest received	1,373	2,301	398	874
Income tax paid	(1,072)	(1,895)	(764)	60
Net cash (used in) from operating activities	<u>(19,284)</u>	<u>13,971</u>	<u>1,598</u>	<u>3,155</u>
Investing activities:				
Purchase of property, plant and equipment	(7,971)	(9,705)	(2,939)	(3,583)
Deposits paid for acquisition of property, plant and equipment	423	(1,097)	378	(1,419)
Proceeds from disposal of property, plant and equipment	335	758	103	384
Purchase of held-to-maturity investments	(6,184)	-	(6,184)	-
Loans receivables	36,660	20,380	12,508	7,800
Net cash from investing activities	<u>23,263</u>	<u>10,336</u>	<u>3,866</u>	<u>3,182</u>
Financing activities:				
Proceeds from trust receipts and other loans	50,945	19,239	16,789	9,567
Repayment of trust receipts and other loans	(48,466)	(17,059)	(17,067)	(6,776)
Net cash from (used in) from financing activities	<u>2,479</u>	<u>2,180</u>	<u>(278)</u>	<u>2,791</u>
Net increase in cash and cash equivalents	6,458	26,487	5,186	9,128
Cash and cash equivalents at beginning of the period	67,599	30,986	71,133	48,389
Effect of foreign exchange rate changes	2,132	246	(130)	202
Cash and cash equivalents at end of the period	<u><u>76,189</u></u>	<u><u>57,719</u></u>	<u><u>76,189</u></u>	<u><u>57,719</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

	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
Group								
Balance at 1 Jul 2008	48,236	20,977	48,563	7,058	-	207	120,737	245,778
Currency translation differences	-	-	-	(130)	-	-	-	(130)
Net profit for the period	-	-	-	-	-	-	7,276	7,276
Dividend Paid	-	-	-	-	-	-	(6,753)	(6,753)
Balance at 30 Sep 2008	48,236	20,977	48,563	6,928	-	207	121,260	246,171
Balance at 1 Jul 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 Sep 2007	48,236	20,977	48,563	1,510	-	422	115,690	235,398

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 Jul 2008	48,236	20,977	48,563	207	34,135	152,118
Net loss for the period	-	-	-	-	(848)	(848)
Dividend paid	-	-	-	-	(6,753)	(6,753)
Balance at 30 Sep 2008	48,236	20,977	48,563	207	26,534	144,517
Balance at 1 Jul 2007	48,236	20,977	48,563	422	27,264	145,462
Net loss for the period	-	-	-	-	(240)	(240)
Dividend paid	-	-	-	-	(6,753)	(6,753)
Balance at 30 Sep 2007	48,236	20,977	48,563	422	20,271	138,469

- 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 third 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 September 30, 2008 was 480,000 (September 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 30/09/2008	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

	9 months ended 30/09/2008	9 months ended 30/09/2007	3 months ended 30/09/2008	3 months ended 30/09/2007
Based on the weighted average number of ordinary shares in issue	9.10 HKcents	13.68 HK cents	3.77 HK cents	4.35 HK cents
Based on a fully diluted basis	9.09 HK cents	13.67 HK cents	3.77 HK cents	4.35 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 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 nine months and third quarter of financial year 2008 is based on the profit attributable to shareholders divided by the adjusted weighted average number of ordinary shares of 193,051,999 (2007: 193,028,999) and 192,980,999 (2007: 192,972,999) 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	
	30/09/2008	31/12/2007	30/09/2008	31/12/2007
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	127.6 HK cents	127.9 HK cents	74.9 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 September 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 nine months period ending 30 September 2008 increased by 12.0% compared to the same period of last year, reaching HK\$295.3 million.

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 34.3% versus 38.7% 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 at 30 September 2008, the Group realized a gain of HK\$0.8 million.

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 other related overheads in view of inflationary effects. Consequently, the Group's total operating expenses also increased 11.4%.

It resulted in net profit of HK\$17.6 million attributable to shareholders, a decrease of HK\$8.8 million, for nine period ending 30 September 2008, compared to 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 remain strong. The current ratio of the Group as at 30 September 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

During the 3rd quarter of this financial year, the sales momentum remains strong with coffee & tea volume sales tracking a 7% YOY growth in Hong Kong as a result of the effective implementation of the sales management system and the successful restructure of the sales & marketing team. Gross margin however, continues to be under pressure due to increased cost of raw materials.

Sharp rises, and sudden falls, in the price of coffee beans have escalated in this quarter; the annualized volatility ratio for the price of coffee was 46.4% for 2008 year to date. We tried to alleviate the coffee price volatility impact by taking long position in future contracts to hedge against our future coffee requirement.

Since the financial turmoil at the beginning of October the price of coffee beans has fallen sharply. As at 31 October 2008, the unrealized mark to market losses on the future contracts incurred by the Group was estimated to be around HK\$6.1 million. It is important to note that these are not cash losses. The amount of gain or loss to be realized will depend on future movement of the coffee prices.

Global financial crisis is beginning to take its toll with significant impact on the economy as a whole resulting in increasing number of closures of SMEs across all sectors of the food industry including the foodservice and restaurant sectors. The drop of consumer confidence and the escalation in unemployment rate have started to reduce consumer spending with consumers trading down to lower price eateries such as QSRs and tea bistros, this somehow benefits our tea and coffee sales to these channels.

The business environment is facing numerous challenges as SMEs including independent tea bistros are under pressure from banks to tighten their credits. We anticipate more closing down of small independent tea bistros and we will maintain a very close watch on control credit. We expect increasing price pressure from both the competitors who are striving for survival, and the customers who are facing reduced consumer spending, thus putting further squeeze on our margin.

As we are heading into the peak season in the 4th quarter, we will continue to intensify our sales and marketing efforts whilst at the same time, continue to introduce price fighting variants to protect our market share and to further strengthen our market penetration.

Regarding our China's operation, we recorded 62% growth in turnover in this quarter but the net profit decreased by 47% due to unfavorable product mix and increased raw material costs.

By strengthening our focus on core products core channels strategy in the local markets, we have recaptured some of the lost accounts and recovered part of our market coverage in Southern China Region. Change of sales mix favoring higher margin products has improved the overall gross profit and net profit ratio as reflected in result of the last month of the third quarter.

Based on the success of the restructuring of the sales and management system in our Hong Kong sales team; we have reviewed and decided to re-build our sales and supply chain organization in China to take up the challenge in the coming year.

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, 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, November 11, 2008