

# 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 period ended 30 June 2010

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### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

#### 1(a)(i) Statement of Comprehensive Income 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	<u>Inc / (dec)</u>	3 months ended	3 months ended	<u>Inc / (dec)</u>
	<u>30/06/2010</u>	<u>30/06/2009</u>		<u>30/06/2010</u>	<u>30/06/2009</u>	
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Revenue	196,234	190,240	3.2%	98,360	97,201	1.2%
Cost of sales	(126,751)	(119,560)	6.0%	(63,571)	(59,170)	7.4%
Gross profit	69,483	70,680	(1.7)%	34,789	38,031	(8.5)%
Other operating income	10,636	1,234	761.9%	10,106	486	1,979.4%
Distribution cost	(34,914)	(35,929)	(2.8)%	(18,238)	(18,947)	(3.7)%
Administrative expenses	(26,376)	(28,565)	(7.7)%	(13,175)	(16,323)	(19.3)%
Other operating expenses	(2,017)	-	NM	(2,615)	(1,373)	90.5%
Finance cost	(153)	(20)	665.0%	(82)	(7)	1,071.4%
<b>Profit before tax</b>	<b>16,659</b>	<b>7,400</b>	<b>125.1%</b>	<b>10,785</b>	<b>1,867</b>	<b>477.7%</b>
Income tax expense	(1,497)	(2,249)	(33.4)%	(537)	(1,144)	(53.1)%
<b>Profit for the period attributable to the owners of the Company</b>	<b>15,162</b>	<b>5,151</b>	<b>194.4%</b>	<b>10,248</b>	<b>723</b>	<b>1,317.4%</b>

#### Other Comprehensive Income:

	<u>Group</u>			<u>Group</u>		
	6 months ended	6 months ended	<u>Inc / (dec)</u>	3 months ended	3 months ended	<u>Inc / (dec)</u>
	<u>30/06/2010</u>	<u>30/06/2009</u>		<u>30/06/2010</u>	<u>30/06/2009</u>	
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Profit for the period	15,162	5,151	194.4 %	10,248	723	1,317.4%
Exchange difference arising on translation of foreign operations	328	-	NM	276	-	NM
<b>Total comprehensive income for the period attributable to the owners of the Company</b>	<b>15,490</b>	<b>5,151</b>	<b>200.7%</b>	<b>10,524</b>	<b>723</b>	<b>1355.6%</b>

**1(a)(ii) Profit before tax has been arrived at after charging / (crediting):**

	<u>Group</u> 6 months ended <u>30/06/2010</u> HK\$'000	<u>Group</u> 6 months ended <u>30/06/2009</u> HK\$'000	<u>Group</u> 3 months ended <u>30/06/2010</u> HK\$'000	<u>Group</u> 3 months ended <u>30/06/2009</u> HK\$'000
Interest income from non-related companies	(37)	(280)	(18)	(107)
Interest expense to non-related companies	153	20	82	7
(Gain) loss on financial asset held for trading	(29)	(21)	334	-
Loss (gain) on derivatives financial instruments	2,017	(157)	2,281	1,373
Foreign exchange gain	(564)	(513)	(191)	(325)
Gain on disposal of property, plant & equipment	(9,936)	(160)	(9,901)	(44)
Depreciation expense	7,972	7,604	3,909	3,842
Allowance for doubtful trade receivables	42	75	192	213
Written off of trade receivables	234	247	234	247
Allowance for inventories	2	771	2	771

**1(b)(i) A Statement of Financial Position (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>30/06/2010</u> HK\$'000	<u>31/12/2009</u> HK\$'000	<u>30/06/2010</u> HK\$'000	<u>31/12/2009</u> HK\$'000
<b><u>ASSETS</u></b>				
<b>Current assets:</b>				
Cash and cash equivalents	84,704	124,590	232	96
Trade receivables	46,479	50,799	-	-
Bills receivables	-	62	-	-
Other receivables and prepayments	11,630	9,403	418	1,753
Amount due from subsidiaries	-	-	54,013	56,159
Held-to-maturity investment	1,582	1,550	-	-
Financial asset held for trading	7,908	-	-	-
Inventories	98,580	84,673	-	-
Total current assets	<u>250,883</u>	<u>271,077</u>	<u>54,663</u>	<u>58,008</u>
<b>Non-current assets:</b>				
Subsidiaries	-	-	78,563	78,563
Property, plant & equipment	50,062	61,761	-	-
Deposits paid for acquisition of property, plant & equipment	19,705	5,771	-	-
Held-to-maturity investments	3,900	-	-	-
Deferred tax assets	103	192	-	-
Total non-current assets	<u>73,770</u>	<u>67,724</u>	<u>78,563</u>	<u>78,563</u>
<b>Total assets</b>	<u>324,653</u>	<u>338,801</u>	<u>133,226</u>	<u>136,571</u>

	<u>Group</u>		<u>Company</u>	
	<u>30/06/2010</u>	<u>31/12/2009</u>	<u>30/06/2010</u>	<u>31/12/2009</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	5,523	8,789	-	-
Bills payables	-	3,796	-	-
Trade payables	21,181	32,067	-	-
Other payables	9,476	12,429	733	2,631
Derivative financial instruments	3,596	-	-	-
Bank borrowings	4,800	3,600	-	-
Income tax payable	3,759	2,096	139	-
<b>Total current liabilities</b>	<b>48,335</b>	<b>62,777</b>	<b>872</b>	<b>2,631</b>
<b>Non-current liabilities:</b>				
Bank borrowings	6,000	8,400	-	-
Deferred tax liabilities	2,539	2,794	-	-
	<b>8,539</b>	<b>11,194</b>	<b>-</b>	<b>-</b>
<b>Capital and reserves:</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	4,375	4,047	-	-
Employee share option reserve	207	207	207	207
Retained earnings	144,931	142,310	14,371	15,957
<b>Equity attributable to owners of the Company</b>	<b>267,289</b>	<b>264,340</b>	<b>132,354</b>	<b>133,940</b>
<b>Non-controlling interest</b>	<b>490</b>	<b>490</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>267,779</b>	<b>264,830</b>	<b>132,354</b>	<b>133,940</b>
<b>Total liabilities and equity</b>	<b>324,653</b>	<b>338,801</b>	<b>133,226</b>	<b>136,571</b>

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 2010		As at 31 December 2009	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
---	10,323	---	16,185

**Amount repayable after one year**

As at 30 June 2010		As at 31 December 2009	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
---	6,000	---	8,400

**Details of any collateral**

Nil

1(c) Statement of cash flows (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>30/06/2010</u> HK\$'000	<u>30/06/2009</u> HK\$'000	<u>30/06/2010</u> HK\$'000	<u>30/06/2009</u> HK\$'000
<b>Operating activities:</b>				
Profit before income tax	16,659	7,400	10,785	1,867
Adjustments for:				
Depreciation expense	7,972	7,604	3,909	3,842
Interest expense	153	20	82	7
Allowance for inventories	2	771	2	771
Allowance for doubtful trade receivables	42	75	192	213
Written off of trade receivables	234	247	234	247
Gain on disposal of property, plant & equipment	(9,936)	(160)	(9,901)	(44)
Interest income	(37)	(280)	(18)	(107)
(Gain) loss on financial asset held for trading	(29)	(21)	334	-
Loss (gain) on derivatives financial instruments	2,017	(157)	2,281	1,373
Operating cash flows before movements in working capital	17,077	15,499	7,900	8,169
Bills receivables	62	39	-	-
Trade receivables	4,044	4,209	3,506	(4,628)
Other receivables and prepayments	(2,227)	(5,469)	(559)	(6,401)
Inventories	(13,909)	(6,386)	9,498	(3,860)
Bills payables	(3,796)	(225)	-	-
Trade payables	(10,886)	1,156	(17,099)	5,510
Other payables	(2,953)	3,110	(818)	3,734
Cash (used in) generated from operations	(12,588)	11,933	2,428	2,524
Interest paid	(153)	(20)	(82)	(7)
Interest received	37	280	18	107
Net cash (used in) generated from operating activities	(12,704)	12,193	2,364	2,624
<b>Investing activities:</b>				
Purchase of property, plant & equipment	(3,441)	(8,416)	(1,725)	(5,537)
Proceeds from disposal of property, plant & equipment	17,509	507	17,446	215
Deposits paid for acquisition of property, plant & equipment	(14,339)	(770)	(14,239)	(362)
Purchase of financial asset held for trading	(7,879)	(2,844)	-	-
Proceeds from financial asset held for trading	-	2,865	-	-
Purchase of held-to-maturity investments	(3,932)	-	-	-
Proceeds from held-to-maturity investment	-	1,512	-	1,512
Proceeds from derivative financial instruments	1,579	(350)	1,524	(1,271)
Pledged bank balance	-	(4,400)	-	(4,400)
Net cash (used in) generated from investing activities	(10,503)	(11,896)	3,006	(9,843)
<b>Financing activities:</b>				
Repayment of borrowings	(1,200)	-	(1,200)	-
Proceeds from trust receipts and other loans	49,791	32,949	22,904	13,746
Repayment of trust receipts and other loans	(53,057)	(30,824)	(25,003)	(9,042)
Dividend paid	(12,541)	(4,823)	(12,541)	(4,823)
Net cash used in financing activities	(17,007)	(2,698)	(15,840)	(119)
<b>Net decrease in cash and cash equivalents</b>	(40,214)	(2,401)	(10,470)	(7,338)
Cash and cash equivalents at beginning of the period	124,590	76,647	94,897	81,584
Effect of foreign exchange rate changes	328	-	276	-
<b>Cash and cash equivalents at end of the period</b>	84,704	74,246	84,704	74,246

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	Attributable to Equity Holders of the Company	Non-controlling Interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2010	48,236	20,977	48,563	4,099	207	147,224	269,306	-	269,306
Currency translation differences	-	-	-	276	-	-	276	-	276
Incorporation of a subsidiary	-	-	-	-	-	-	-	490	490
Total comprehensive income for the period	-	-	-	-	-	10,248	10,248	-	10,248
Dividend paid	-	-	-	-	-	(12,541)	(12,541)	-	(12,541)
Balance at 30 June 2010	48,236	20,977	48,563	4,375	207	144,931	267,289	490	267,779
Balance at 1 April 2009	48,236	20,977	48,563	4,364	207	128,144	250,491	-	250,491
Incorporation of a subsidiary	-	-	-	-	-	-	-	490	490
Total comprehensive income for the period	-	-	-	-	-	723	723	-	723
Dividend paid	-	-	-	-	-	(4,823)	(4,823)	-	(4,823)
Balance at 30 June 2009	48,236	20,977	48,563	4,364	207	124,044	246,391	490	246,881
<b>Company</b>									
Balance at 1 April 2010	48,236	20,977	48,563	207	16,303	134,286			
Total comprehensive income for the period	-	-	-	-	10,609	10,609			
Dividend paid	-	-	-	-	-	(12,541)			
Balance at 30 June 2010	48,236	20,977	48,563	207	14,371	132,354			
Balance at 1 April 2009	48,236	20,977	48,563	207	25,547	143,530			
Total comprehensive loss for the period	-	-	-	-	(835)	(835)			
Dividend paid	-	-	-	-	-	(4,823)			
Balance at 30 June 2009	48,236	20,977	48,563	207	19,889	137,872			

- 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 six months period of 2010, there was no movement in the Company's share capital (2009: Nil). No share option was granted under the Tsit Wing Employees' Share Option Scheme 2001 during the period under review. As at 30 June 2010, the number of share options outstanding was 480,000. (As at 30 June 2009 : 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 30/06/2010	As at 31/12/2009
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' 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 31 December, 2009.

- 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 International Financial Reporting Standards ("FRS") and Interpretations of FRS and amendments to FRS effective for accounting periods beginning 1 January 2010 and they are assessed to have no significant impact on the Group's financial position 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 30/06/2010	6 months ended 30/06/2009	3 months ended 30/06/2010	3 months ended 30/06/2009
Based on the weighted average number of ordinary shares in issue	7.86 HK cents	2.67 HK cents	5.31 HK cents	0.37 HK cents
Based on a fully diluted basis	7.86 HK cents	2.67 HK cents	5.31 HK cents	0.37 HK cents

**Notes:**

The basic earnings per share figures are 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 throughout the periods referred to above are 192,943,999 (2009: 192,943,999).

The fully diluted earnings per share figures are calculated based on the profit attributable to shareholders divided by the adjusted weighted average number of ordinary shares of 192,971,357 (2009: 192,943,999) and 192,960,040 (2009: 192,943,999) in those respective periods..

**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	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Net asset backing per ordinary share based on issued share capital at the end of the period reported on	138.8 HK cents	137.3 HK cents	68.6 HK cents	69.4 HK cents

**Notes:**

The net asset backing per ordinary share as at 30 June 2010 and 31 December 2009 were 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 six months period of 2010 amounted to HK\$196.2 million representing, a modest increase of 3.2% as compared to the same period of last year.

However, the Group's gross profit decreased by 1.7% to HK\$69.5 million as compared to the corresponding period of last year as price of commodities (including coffee and tea) continued to rise and the resulting cost increases could not be completely passed on to our customers. Gross profit percentage decreased to 35.4% compared to 37.2% in the corresponding period of last year,. Other operating income in this period increased to HK\$10.6 million (2009: HK\$1.2 million) as a

property of the Group was disposed in June for a consideration of HK\$16.9 million. The transaction contributed a profit of HK\$9.8 million for the Group.

Total distribution cost and other expenses in the period remained substantially the same .

Consequently, the net profit for the period was HK\$15.2 million, compared to last year of HK\$5.2 million, an increase of 194.4%.

- (b) Financial position of the Group remained healthy and strong. Cash and cash equivalent amounted to HK\$84.7 million as at 30 June 2010. The current ratio was 5.2 times compared to 4.3 times as at 31 December 2009.

**9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

No 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 expansion of quick service restaurant and tea bistro chains will provide the momentum of our sales growth. However, the closure of small operators and cost increases of raw materials will be our challenges in the second half year. New beverage product developments like Tarza, our new premium coffee, will help in getting more catering business.

A second Hong Kong café outlet and a new concept beverage chain in China will be developed in the last quarter of 2010. Furthermore, new packaging revamp and image uplifting of FMCG products will capture additional high spending customers and deliver further growth in the 3<sup>rd</sup> and 4<sup>th</sup> quarters.

The development of our new factory in Dongguan, Guangdong Province, has started. Production is expected to commence in mid 2011, after which our capacity and quality will be greatly enhanced.

**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 %)	14% 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)	1.5 HK cents per ordinary share (tax not applicable)
Optional: - Dividend Rate (in %)	6% per ordinary share
Par value of shares	HK\$0.25
Tax Rate	N/A

**(c) Date payable**

29 September 2010

**(d) Books closure date**

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 9 September 2010 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 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 up to the close of business at 5:00 p.m. on 9 September 2010 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 30 June 2010 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

**Chan Sum Yu, Samuel**  
Executive Director

**Hong Kong, 13 August 2010**