STANDARD &POOR'S

Tsit Wing Intl Holdings

Bloomberg: TWI SP | Reuters: TSWN.SI | Price: SGD0.18 | Date: August 17, 2012

GICS: Consumer Staples/Food Distributors

Business Summary: Tsit Wing is a leading coffee, tea and grocery supplier to the catering and food services industry in Hong Kong.

Country of Incorporation: Bermuda

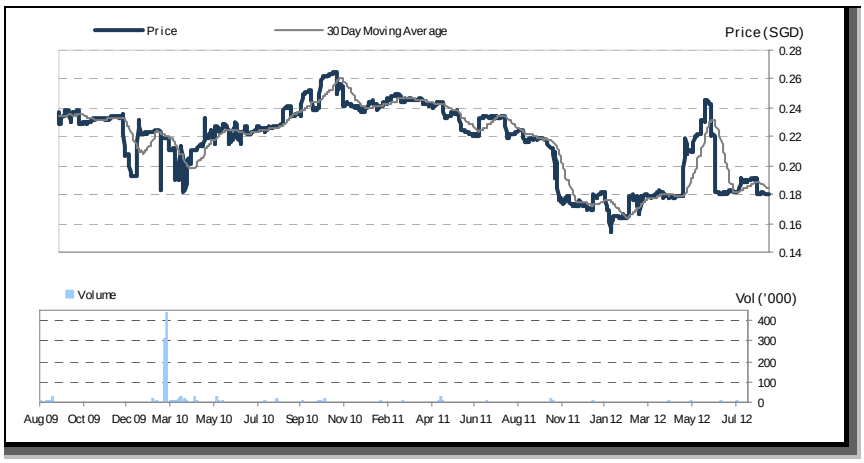
Head Office Location: Flats F-J, 11/F, Block 1, Kwai Tak Industrial Centre, Kwai Chung, New Territories, Hong Kong

Place of Operations: Hong Kong, Mainland China

Website: www.twcoffee.com

IR Contact: Mr Keith Wu | keith.wu@twcoffee.com | +852-242 02181

Analyst: Wee SiengLee, CPA



Company Background

- Tsit Wing is a leading coffee and tea supplier to the F&B services industry in Hong Kong. It also distributes grocery, branded coffee & tea making machines and TW-brand instant beverage products as well as operates cafés.
- The group was established in 1932, registered as a limited company in Hong Kong in 1955 and subsequently listed on the SGX-ST Main Board in December 2001. Tsit Wing is led by Dr. Wong Tat Tong, its chairman/CEO, and the Wong family is the largest shareholder of Tsit Wing.
- Tsit Wing is focusing on diversification on three fronts: products, markets and geography, to drive its growth. In particular, its new south China integrated service center in Dongguan, PRC, will drive its growth in the PRC market.

Key News & Developments

- **Improved 2Q12 results.** Tsit Wing reported 2Q12 higher revenue of HKD146.2 mln (+18.3% YoY, +6.0% QoQ) and improved net profit of HKD2.5 mln (+5.6% YoY, +300.8% QoQ) driven by higher gross profit margin of 33.2% (1Q12: 29.6%, 2Q11: 32.9%). The improved 2Q12 gross margin was mainly due to lower coffee bean prices. / *SGX announcement / Aug. 8, 2012*.
- **Management outlook.** Tsit Wing expects to benefit from the gradual decline of coffee bean prices and is working with its strategic partners for additional business opportunities. The group is focusing on optimizing cost management by increasing procurement and production efficiency via its integrated service center in Dongguan, PRC. It is also expanding its distribution network to enlarge its market share and strengthening its brand recognition in the PRC. /*SGX announcement / Aug. 8, 2012*.

Key Stock Statistics

52-week Price Range (SGD)	0.25 / 0.16
Avg Vol - 12 months ('000 shares)	20.3
Price performance (%) - 1 month	-6.3
- 3 month	-26.5
- 12 month	-14.3
No. of Outstanding shares (mln)	212.9
Public Float (%)	20.0
Market Cap (SGD mln)	38.3
Enterprise Value (SGD mln)	31.6
Major Shareholders (%)	
Wong's Brothers Consortium Inc.	40.1
Snappy Performance Ltd.	19.3
Swift Mind Holdings Ltd	11.2

Key Multiples, Ratios and Growth Rates

FY Dec.	2008	2009	2010	2011
Price/Book Value (x)	0.9	0.8	0.8	0.8
Price/Tangible BV (x)	0.9	0.8	0.8	0.8
Price/Cash Flow (x)	6.3	4.7	5.5	9.1
Price/Earnings (x)	10.8	8.2	9.0	23.5
Payout Ratio (%)	57.9	58.7	56.2	99.4
Dividend Yield (%)	5.4	7.2	6.3	4.1
Net Gearing (%)	0.0	0.0	0.0	0.0
Return on Assets (%)	4.6	6.0	3.2	2.0
Return on Equity (%)	8.1	10.3	8.9	3.4
Sales Growth (%)	10.9	0.5	7.2	22.1
Earnings Growth (%)	-43.5	31.5	-8.7	-59.0

Per Share Data (HKD)

FY Dec.	2008	2009	2010	2011
Book Value	1.28	1.37	1.42	1.44
Tangible Book Value	1.28	1.37	1.42	1.37
Cash Flow	0.18	0.24	0.20	0.12
Earnings	0.10	0.14	0.12	0.05
Dividends	0.06	0.08	0.07	0.05

Margins (%)

FY Dec.	2008	2009	2010	2011
Gross margin	34.8	39.0	35.6	31.6
EBITDA margin	8.8	12.4	7.5	5.3
EBIT margin	5.2	7.5	4.0	2.3
Net margin	5.0	6.5	5.5	1.9

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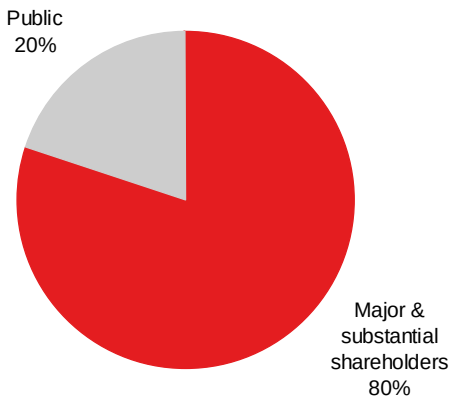
Significant Shareholders

	Common Stock Equivalent (CSO) Held	% of CSO
Wong's Brothers Consortium Inc.	85,445,890	40.1
Snappy Performance Ltd.	41,112,791	19.3
Swift Mind Holdings Ltd	23,806,701	11.2
Gold Gorgeous Investment Holdings Limited	20,000,000	9.4

Source: Capital IQ

Shareholding Structure



Source: Capital IQ, Company data

Board of Directors

Name	Title	Date of Appointment
Wong Tat Tong	Chairman and Chief Executive Officer	Jul-2000
Chan Sum Yu, Samuel	Executive Director and General Manager – Group Supply Chain	Mar-2007
Wu Kam On, Keith	Executive Director, General Manager of Group Corporate Services and Group Financial Controller	Jan-2010
Chan Chi Chung	Independent Non-Executive Director	Nov-2001
Tan Kay Hock	Independent Non-Executive Director	Nov-2001
Tan Sin Ghee	Independent Non-Executive Director	Dec-2007

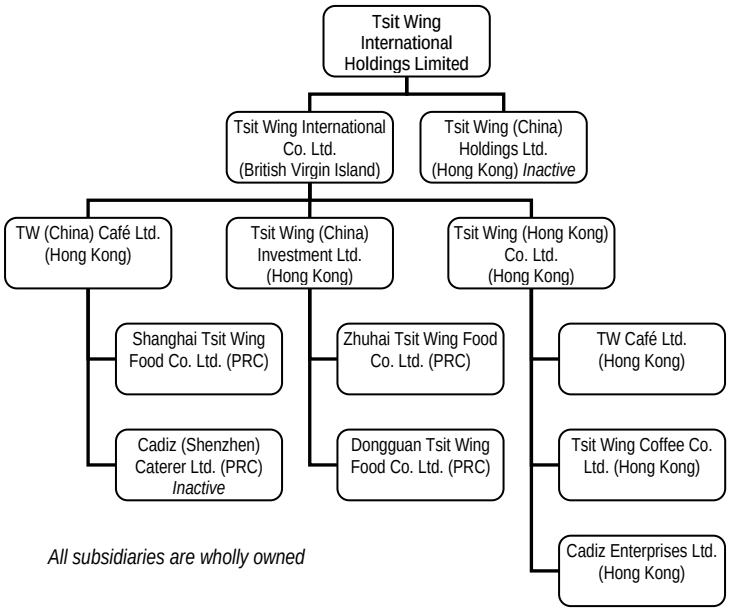
Source: Company data

Key Management

Name	Title	Date of Appointment
Wong Tat Tong	Chairman and Chief Executive Officer	Jul-2000
Chan Sum Yu, Samuel	Executive Director and General Manager - Group Supply Chain	Mar-2007
Wu Kam On, Keith	Executive Director and Group Financial Controller	Jan-2010

Source: Company data

Corporate Structure



Source: Company data

Key Subsidiaries & Associates

- Tsit Wing International Co. Ltd. (BVI) is an investment holding company controlling TW (China) Café Ltd., and Tsit Wing (China) Investment Co. Ltd. and Tsit Wing (Hong Kong) Co. Ltd.
- TW (China) Café Limited is an investment holding company and its 100%-owned subsidiary Shanghai Tsit Wing Food Co. Ltd. operates wholesale distribution of coffee, tea and grocery to catering services in the PRC.
- Tsit Wing (China) Investment Ltd. is an investment holding company, and its 100%-owned subsidiaries Zhuhai Tsit Wing Food Co. Ltd. and Dongguan Tsit Wing Food Co. Ltd. process, blend and distribute coffee and tea in the PRC.
- Tsit Wing (Hong Kong) Co. Ltd. is an investment holding company with its subsidiaries TW Café Ltd., Tsit Wing Coffee Co. Ltd. and Cadiz Enterprises Ltd. TW Café Ltd. operates cafés and restaurants in Hong Kong. Tsit Wing Coffee Co. Ltd. processes, blends and distributes coffee, tea and canned goods, while Cadiz Enterprises Ltd. distributes grocery products in Hong Kong.

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Profit & Loss (HKD mln)

FY Dec.	2008	2009	2010	2011
Total Revenue	402.4	404.6	433.5	529.4
Growth Over Prior Year	*10.9%*	*0.5%*	*7.2%*	*22.1%*
EBITDA	35.5	50.1	32.6	28.0
EBITDA Margin	*8.8%*	*12.4%*	*7.5%*	*5.3%*
EBIT	21.0	30.3	17.3	12.4
EBIT Margin	*5.2%*	*7.5%*	*4.0%*	*2.3%*
Earnings from Cont. Ops.	20.0	26.3	24.0	9.9
Earnings Margin	*5.0%*	*6.5%*	*5.5%*	*1.9%*
Net Income	20.0	26.3	24.0	9.9
Net Income Margin	*5.0%*	*6.5%*	*5.5%*	*1.9%*
Diluted EPS (HK cents)	10.4	13.6	12.5	4.7

Source: Company data, Capital IQ

Balance Sheet (HKD mln)

FY Dec.	2008	2009	2010	2011
Current Assets	224.2	271.1	242.7	301.2
Fixed Assets	65.2	61.8	56.5	108.7
Other LT Assets	0.7	6.0	43.1	19.9
Total Assets	290.1	338.8	342.3	429.9
Current Liabilities	40.1	62.8	65.7	97.4
Total Liabilities	44.1	74.0	68.9	122.5
Share capital	48.2	48.2	48.2	53.2
Shareholder's Equity	246.1	264.3	273.4	307.3
Cash and cash equivalents	76.6	124.6	59.6	85.7
Total Debt	4.4	20.8	17.1	46.2
Net Cash/(Debt)	72.3	103.8	42.5	39.5

Source: Company data, Capital IQ

Cash Flow (HKD mln)

FY Dec.	2008	2009	2010	2011
Cash from Operations	6.7	56.2	(9.6)	18.8
Cash from Investing	21.6	(16.7)	(34.6)	(45.7)
Cash from Financing	(18.8)	8.7	(23.0)	48.1
Change in Cash	9.4	48.3	(67.1)	21.2

Source: Company data, Capital IQ

Profit & Loss (HKD mln) – last four quarters

FY Dec.	Sep-11	Dec-11	Mar-12	Jun-12
Revenue	128.7	160.5	137.9	146.2
Gross Profit	36.7	50.6	40.8	48.5
EBITDA	(1.8)	14.4	6.0	8.6
EBIT	(5.9)	10.2	1.3	3.6
Net Income	(4.2)	8.5	0.6	2.5

Source: Company data, Capital IQ

New Issues & Placements

April 2011: Private placement of 20 million shares at SGD0.245/share to an independent private investor (Gold Gorgeous Investment Holdings Ltd.).

Dividend Policy

Tsit Wing does not have a specific dividend policy but has been consistently paying dividends in the past six years. During 2006-2010, dividend payouts ranged from 56.2% to 61.8% of net profit. In 2011, dividend payout was exceptionally high, at more than 95% of net profit.

Auditors' History

2001-Present: Deloitte & Touche LLP

Audit Partner in charge: Mr Xu Jun (June 1, 2007 to current)

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