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TSIT WING INTERNATIONAL HOLDINGS LIMITED

捷榮國際控股有限公司*

(Incorporated under the laws of Bermuda with limited liability)

(Stock Code: 2119)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 amounted to HK\$361.3 million, representing an increase of 24.7% from HK\$289.7 million for the corresponding period in 2020.
- Gross profit for the six months ended 30 June 2021 amounted to HK\$145.9 million, representing an increase of 23.0% from HK\$118.6 million for the corresponding period in 2020.
- Gross profit margin decreased from 40.9% for the six months ended 30 June 2020 to 40.4% for the six months ended 30 June 2021.
- Profit for the six months ended 30 June 2021 amounted to HK\$38.3 million, representing an increase of 33.0% from HK\$28.8 million for the corresponding period in 2020.
- Net profit margin increased from 10.0% for the six months ended 30 June 2020 to 10.6% for the six months ended 30 June 2021.

* *for identification purposes only*

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tsit Wing International Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	4	361,288	289,678
Cost of sales		<u>(215,409)</u>	<u>(171,127)</u>
Gross profit		145,879	118,551
Other income and gains, net	4	1,240	3,554
Selling and distribution expenses		(56,796)	(47,826)
Administrative expenses		(39,273)	(36,859)
Other expenses, net		(2,195)	(1,999)
Finance costs	5	<u>(382)</u>	<u>(884)</u>
PROFIT BEFORE TAX	6	48,473	34,537
Income tax expense	7	<u>(10,167)</u>	<u>(5,706)</u>
PROFIT FOR THE PERIOD		<u>38,306</u>	<u>28,831</u>
Attributable to:			
Owners of the parent		<u>38,306</u>	<u>28,831</u>
		<i>HK cents</i>	<i>HK cents</i>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		5.32	3.83
Diluted		<u>5.32</u>	<u>3.82</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>38,306</u>	<u>28,831</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>2,034</u>	<u>(3,293)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>40,340</u></u>	<u><u>25,538</u></u>
Attributable to:		
Owners of the parent	<u><u>40,340</u></u>	<u><u>25,538</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	160,294	143,913
Intangible assets		274	330
Deposits paid for purchases of items of property, plant and equipment		15,120	14,143
Prepayments, deposits and other receivables		1,508	852
Deferred tax assets		2,501	2,782
		<hr/>	<hr/>
Total non-current assets		179,697	162,020
CURRENT ASSETS			
Inventories	11	128,412	117,959
Trade receivables	12	104,629	111,114
Prepayments, deposits and other receivables		23,150	14,808
Tax recoverable		—	2,032
Cash and cash equivalents		264,846	276,807
		<hr/>	<hr/>
Total current assets		521,037	522,720
CURRENT LIABILITIES			
Trade payables	13	61,835	51,595
Accruals and other payables		37,528	44,553
Derivative financial instruments		85	491
Interest-bearing bank borrowings	14	1,208	12,094
Lease liabilities		11,323	8,427
Tax payable		4,464	4,325
		<hr/>	<hr/>
Total current liabilities		116,443	121,485
NET CURRENT ASSETS		<hr/> 404,594	<hr/> 401,235
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 584,291	<hr/> 563,255

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

As at 30 June 2021

		As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		13,379	4,935
Deferred tax liabilities		<u>6,728</u>	<u>5,817</u>
Total non-current liabilities		<u>20,107</u>	<u>10,752</u>
Net assets		<u><u>564,184</u></u>	<u><u>552,503</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	72,073	72,044
Reserves		<u>492,111</u>	<u>480,459</u>
Total equity		<u><u>564,184</u></u>	<u><u>552,503</u></u>

1. CORPORATE AND GROUP INFORMATION

Tsit Wing International Holdings Limited (the “**Company**”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company is located at Flats F-J, 11th Floor, Block 1, Kwai Tak Industrial Centre, 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. During the period, the Company’s subsidiaries were engaged in the following principal activities:

- processing and sale of coffee, tea and related complementary products
- processing and sale of frozen processed food
- sale and rental of coffee and tea machines

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2020. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2021 are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the six months ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. The amendments did not have any impact on the condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the beverage solutions (“**Beverage Solutions**”) segment processes and distributes coffee, tea and related complementary products, sells food and beverages, coffee machines and other related products, operates food and beverage store and leases coffee and tea machines; and
- (b) the food products (“**Food Products**”) segment trades frozen processed food.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit before tax except that interest income, fair value changes on derivative financial instruments, head office and corporate expenses as well as non-lease-related finance costs are excluded from such measurement.

Segment assets exclude cash and cash equivalents, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Beverage Solutions HK\$'000	Food Products HK\$'000	Total HK\$'000
Six months ended 30 June 2021 (unaudited)			
Segment revenue (Note 4)			
Sales to external customers	<u>352,894</u>	<u>8,394</u>	<u>361,288</u>
Segment results	55,738	(730)	55,008
<i>Reconciliation:</i>			
Interest income			843
Corporate and unallocated expenses, net			(7,304)
Finance costs (other than interest on lease liabilities)			<u>(74)</u>
Profit before tax			<u><u>48,473</u></u>
Other segment information:			
Depreciation and amortisation	19,113	107	19,220
Reversal of impairment of trade receivables	(567)	(131)	(698)
Impairment of trade receivables	86	47	133
Write-off of trade receivables	443	—	443
Write-down of inventories to net realisable value	840	74	914
Write-off of inventories	483	90	573
Gain on disposal of items of property, plant and equipment	(6)	—	(6)
Capital expenditure*	<u>10,464</u>	<u>7,454</u>	<u>17,918</u>
* The capital expenditure includes purchases of property, plant and equipment of HK\$13,515,000 and deposits for purchases of property, plant and equipment of HK\$4,403,000.			
As at 30 June 2021 (unaudited)			
Segment assets	432,305	16,542	448,847
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(13,160)
Corporate and unallocated assets			<u>265,047</u>
Total assets			<u><u>700,734</u></u>
Segment liabilities	132,023	15,600	147,623
<i>Reconciliation:</i>			
Elimination of intersegment payables			(13,160)
Corporate and unallocated liabilities			<u>2,087</u>
Total liabilities			<u><u>136,550</u></u>

	Beverage Solutions <i>HK\$'000</i>	Food Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2020 (unaudited)			
Segment revenue (Note 4)			
Sales to external customers	282,224	7,454	289,678
Segment results	40,141	831	40,972
<i>Reconciliation:</i>			
Interest income			2,411
Corporate and unallocated expenses, net			(8,491)
Finance costs (other than interest on lease liabilities)			(355)
Profit before tax			34,537
Other segment information:			
Depreciation and amortisation	19,578	—	19,578
Reversal of impairment of trade receivables	(83)	—	(83)
Impairment of trade receivables	515	33	548
Write-off of trade receivables	922	—	922
Write-down of inventories to net realisable value	342	—	342
Write-off of inventories	19	45	64
Loss on disposal of items of property, plant and equipment	206	—	206
Capital expenditure*	16,149	—	16,149
* The capital expenditure includes purchases of property, plant and equipment of HK\$10,595,000 and deposits for purchases of property, plant and equipment of HK\$5,554,000.			
As at 31 December 2020 (audited)			
Segment assets	400,085	7,560	407,645
<i>Reconciliation:</i>			
Corporate and unallocated assets			277,095
Total assets			684,740
Segment liabilities	128,338	761	129,099
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			3,138
Total liabilities			132,237

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Hong Kong	222,204	206,743
Mainland China	135,164	78,696
Others	3,920	4,239
	<u>361,288</u>	<u>289,678</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
	Hong Kong	88,459
Mainland China	87,229	88,579
	<u>175,688</u>	<u>158,386</u>

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and financial assets.

4. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue

An analysis of disaggregation of the Group's revenue from contracts with customers is as follows:

	Beverage Solutions <i>HK\$'000</i>	Food Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2021 (unaudited)			
Type of goods or services			
Sale of coffee, tea and other related complementary products	343,592	—	343,592
Sale of frozen processed food	—	8,394	8,394
Rental income from leasing of coffee and tea machines	9,302	—	9,302
	<u>352,894</u>	<u>8,394</u>	<u>361,288</u>
Total revenue from contracts with customers	<u>352,894</u>	<u>8,394</u>	<u>361,288</u>
Geographical markets			
Hong Kong	214,188	8,016	222,204
Mainland China	134,786	378	135,164
Others	3,920	—	3,920
	<u>352,894</u>	<u>8,394</u>	<u>361,288</u>
Total revenue from contracts with customers	<u>352,894</u>	<u>8,394</u>	<u>361,288</u>
Timing of revenue recognition			
Goods transferred at a point in time	343,592	8,394	351,986
Services transferred over time	9,302	—	9,302
	<u>352,894</u>	<u>8,394</u>	<u>361,288</u>
Total revenue from contracts with customers	<u>352,894</u>	<u>8,394</u>	<u>361,288</u>

	Beverage Solutions <i>HK\$'000</i>	Food Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2020 (unaudited)			
Type of goods or services			
Sale of coffee, tea and other related complementary products	272,011	—	272,011
Sale of frozen processed food	—	7,454	7,454
Rental income from leasing of coffee and tea machines	10,179	—	10,179
Food and beverage store operations	34	—	34
	<u>282,224</u>	<u>7,454</u>	<u>289,678</u>
Total revenue from contracts with customers	<u>282,224</u>	<u>7,454</u>	<u>289,678</u>
Geographical markets			
Hong Kong	199,542	7,201	206,743
Mainland China	78,443	253	78,696
Others	4,239	—	4,239
	<u>282,224</u>	<u>7,454</u>	<u>289,678</u>
Total revenue from contracts with customers	<u>282,224</u>	<u>7,454</u>	<u>289,678</u>
Timing of revenue recognition			
Goods transferred at a point in time	272,045	7,454	279,499
Services transferred over time	10,179	—	10,179
	<u>282,224</u>	<u>7,454</u>	<u>289,678</u>
Total revenue from contracts with customers	<u>282,224</u>	<u>7,454</u>	<u>289,678</u>
Other income and gains, net			

An analysis of other income and gains, net is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	843	2,411
Government subsidies	107	310
Foreign exchange differences, net	—	119
Gain on change in fair value of derivative financial instruments	—	90
Gain on disposal of items of property, plant and equipment	6	—
Others	284	624
	<u>1,240</u>	<u>3,554</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	74	355
Interest on lease liabilities	308	529
	<u>382</u>	<u>884</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold [^]	197,592	154,774
Depreciation [^] :		
Right-of-use assets	6,588	7,801
Other items of property, plant and equipment	12,573	11,723
	<u>19,161</u>	<u>19,524</u>
Amortisation of intangible assets	59	54
Lease payments not included in the measurement of lease liabilities	268	192
Foreign exchange differences, net*	510	(119)
Reversal of impairment of trade receivables*	(698)	(83)
Impairment of trade receivables*	133	548
Write-off of trade receivables*	443	922
Employee benefit expenses [^] :		
Salaries, wages, allowances and bonuses	59,130	51,912
Equity-settled share option expense	—	593
Pension scheme contributions (defined contribution schemes)	2,864	2,564
	<u>61,994</u>	<u>55,069</u>
Write-down of inventories to net realisable value*	914	342
Write-off of inventories*	573	64
(Gain)/loss on disposal of items of property, plant and equipment*	(6)	206
Loss/(gain) on change in fair value of derivative financial instruments*	320	(90)

* These amounts are included in "Other income and gains, net" or "Other expenses, net" on the face of the condensed consolidated statement of profit or loss.

^ The cost of sales for the six months ended 30 June 2021 amounted to HK\$215,409,000 (six months ended 30 June 2020: HK\$171,127,000) and included cost of inventories sold of HK\$197,592,000 (six months ended 30 June 2020: HK\$154,774,000), depreciation charge of HK\$7,997,000 (six months ended 30 June 2020: HK\$7,809,000) and employee benefit expenses of HK\$6,135,000 (six months ended 30 June 2020: HK\$4,916,000).

7. INCOME TAX

Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2020: 16.5%). Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (six months ended 30 June 2020: 25%).

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	4,768	4,553
Current — Mainland China		
Charge for the period	4,175	826
Underprovision in prior periods	28	71
Deferred	1,196	256
	<u>10,167</u>	<u>5,706</u>
Total tax charge for the period	10,167	5,706

8. DIVIDENDS

The dividends recognised and declared by the Company during the reporting period are as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends recognised as distribution during the reporting period:		
2019 final dividend — HK3.33 cents per ordinary share	—	24,916
2020 final dividend — HK4.00 cents per ordinary share	28,829	—
	<u>28,829</u>	<u>24,916</u>
Dividend declared after the end of the reporting period:		
Interim dividend — HK3.19 cents (six months ended 30 June 2020: HK1.58 cents) per ordinary share	22,991	11,537
	<u>22,991</u>	<u>11,537</u>

The interim dividend for the six months ended 30 June 2021 has been calculated by reference to 720,731,512 shares in issue at 19 August 2021.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the six months ended 30 June 2021 is based on the unaudited consolidated profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 720,609,000 (six months ended 30 June 2020: 753,517,000) in issue during the period.

The calculation of the diluted earnings per share amount for the period is based on the unaudited consolidated profit attributable to ordinary equity holders of the parent and (i) the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential share options into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>38,306</u>	<u>28,831</u>
	'000	'000
Shares		
Weighted average number of ordinary shares in issue and issuable during the period, used in the basic earnings per share calculation	720,609	753,517
Effect of dilution — weighted average number of ordinary shares: Share options	<u>53</u>	<u>1,249</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>720,662</u>	<u>754,766</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired other items of property, plant and equipment of HK\$17,049,000 (six months ended 30 June 2020: HK\$12,210,000) and recognised right-of-use assets of HK\$17,725,000 (six months ended 30 June 2020: HK\$120,000).

Items of property, plant and equipment with a net carrying amount of HK\$52,000 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$511,000).

Right-of-use assets amounted to HK\$42,628,000 were included in property, plant and equipment as at 30 June 2021 (31 December 2020: HK\$31,280,000).

11. INVENTORIES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Raw materials	74,372	61,480
Work-in-progress	1,134	776
Finished goods	<u>52,906</u>	<u>55,703</u>
	<u>128,412</u>	<u>117,959</u>

12. TRADE RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables	112,925	119,895
Impairment	<u>(8,296)</u>	<u>(8,781)</u>
	<u>104,629</u>	<u>111,114</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where the Group normally trades in cash on delivery. The credit periods generally range from 30 to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control team to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 30 days	56,932	63,893
31 to 60 days	31,189	30,455
61 to 90 days	12,228	9,517
91 to 120 days	2,709	5,741
121 to 180 days	485	535
Over 180 days	<u>1,086</u>	<u>973</u>
	<u>104,629</u>	<u>111,114</u>

13. TRADE PAYABLES

An ageing analysis of the trade payables based on the invoice date is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	57,040	50,134
1 to 2 months	3,294	275
2 to 3 months	878	498
Over 3 months	623	688
	<u>61,835</u>	<u>51,595</u>

The trade payables are non-interest-bearing and are normally settled within 30 to 60 days.

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current		
Trust receipt loans — unsecured	<u>1,208</u>	<u>12,094</u>

15. SHARE CAPITAL

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
720,731,512 (31 December 2020: 720,444,312) ordinary shares of HK\$0.10 each	<u>72,073</u>	<u>72,044</u>

A summary of movements in the Company's authorised and issued share capital is as follows:

	<i>Notes</i>	Number of shares	Share capital HK\$'000
Authorised:			
At 1 January 2020, at 31 December 2020, at 1 January 2021 and at 30 June 2021		<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:			
At 1 January 2020		763,937,312	76,394
Issue of shares upon exercise of share options	(a)	3,107,000	310
Repurchase and cancellation of shares	(b)	<u>(46,600,000)</u>	<u>(4,660)</u>
At 31 December 2020 and at 1 January 2021		720,444,312	72,044
Issue of shares upon exercise of share options	(c)	<u>287,200</u>	<u>29</u>
At 30 June 2021		<u>720,731,512</u>	<u>72,073</u>

Notes:

- (a) During the year ended 31 December 2020, the subscriptions right attaching to 3,107,000 share options were exercised at the subscription price of HK\$0.594 per share, resulting in the issue of 3,107,000 ordinary shares of par value of HK\$0.10 each (“**Shares**”) at a total cash consideration (before expenses) of HK\$1,845,000. An amount of HK\$4,107,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (b) During the year ended 31 December 2020, the Company repurchased 46,600,000 Shares on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at a total consideration (before expenses) of HK\$52,924,000, which were cancelled during the year. The issued share capital of the Company was reduced by the par value of the repurchased Shares so cancelled. The premium and transaction costs paid on the repurchase of the Shares of HK\$48,624,000 and HK\$246,000, respectively, were charged to the share premium account.
- (c) During the six months ended 30 June 2021, the subscriptions right attaching to 287,200 share options were exercised at the subscription price of HK\$0.594 per share, resulting in the issue of 287,200 ordinary shares of par value of HK\$0.10 each at a total cash consideration (before expenses) of HK\$170,000. An amount of HK\$378,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

16. SHARE-BASED PAYMENTS

The Company operates a pre-initial public offering share option scheme (the “**Pre-IPO Share Option Scheme**”) and a share option scheme (the “**Share Option Scheme**”) (collectively, the “**Schemes**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The principal terms of the Pre-IPO Share Option Scheme are similar to the terms of the Share Option Scheme except that (i) no further options could be granted under the Pre-IPO Share Option Scheme established prior to the date on which the Shares of the Company were listed on the Stock Exchange, i.e. 11 May 2018 (the “**Listing Date**”); and (ii) the exercise price

and the exercise period of the share options are different. Details of the Schemes are set out in the prospectus dated 30 April 2018 issued by the Company in relation to the listing of its Shares on the Stock Exchange.

Eligible participants of the Schemes include the Company's executive directors and other employees of the Group. The Schemes were approved and adopted on 15 December 2017. The Share Option Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from the Listing Date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

Share Option Scheme

During the six months ended 30 June 2021, no options have been granted or agreed to be granted under the Share Option Scheme.

Pre-IPO Share Option Scheme

The following share options under the Pre-IPO Share Option Scheme were outstanding during the period/year:

	Six months ended 30 June 2021		Year ended 31 December 2020	
	Weighted average exercise price <i>HK\$ per share</i>	Number of options	Weighted average exercise price <i>HK\$ per share</i>	Number of options
At the beginning of the period/year	0.594	348,800	0.594	3,553,800
Exercised during the period/year	0.594	(287,200)	0.594	(3,107,000)
Forfeited during the period/year	0.594	(61,600)	0.594	(98,000)
At the end of the period/year	—	—	0.594	348,800

The weighted average share price at the date of exercise for share options exercised for the six months ended 30 June 2021 was HK\$1.04 (year ended 31 December 2020: HK\$1.08) per share.

17. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions, arrangements and balances detailed elsewhere in the interim financial information, the Group had the following transaction based on terms mutually agreed with the related party during the period:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Lease expenses paid to a related company (note)	<u>930</u>	<u>930</u>

Notes: Mr. Wong Tat Tong, a director and the beneficial shareholder of the Company, is the controlling shareholder of the related company.

- (b) **Compensation of key management personnel of the Group**

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	8,024	8,159
Equity-settled share option expense	—	256
Pension scheme contributions (defined contribution schemes)	<u>393</u>	<u>415</u>
	<u>8,417</u>	<u>8,830</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Tsit Wing International Holdings Limited (the “**Company**”), together with its subsidiaries (collectively, the “**Group**”), is a leading integrated business-to-business (“**B2B**”) coffee and black tea solutions provider in Hong Kong, Macau and Mainland China providing one-stop coffee and tea solutions to commercial customers that cover the entire coffee and tea procurement, processing and distribution value chain.

For the six months ended 30 June 2021, the Group recorded a total revenue of HK\$361.3 million, representing an increase of HK\$71.6 million, or 24.7%, from HK\$289.7 million for the six months ended 30 June 2020. Revenue from the beverage solutions segment increased by HK\$70.7 million, or 25.1%, from HK\$282.2 million for the six months ended 30 June 2020 to HK\$352.9 million for the six months ended 30 June 2021, which was attributable to the increase in revenue derived from Mainland China, and to a lesser extent, the increase in revenue derived from Hong Kong. Revenue from the food products segment increased by HK\$0.9 million, or 12.0%, from HK\$7.5 million for the six months ended 30 June 2020 to HK\$8.4 million for the six months ended 30 June 2021, which was attributable to the increase in revenue derived from Hong Kong. While gross profit increased along with revenue, gross profit margin decreased from 40.9% for the six months ended 30 June 2020 to 40.4% for the six months ended 30 June 2021.

BUSINESS PROSPECT

During the six months ended 30 June 2021, the Group recorded an increase in profit as a result of the strong performance of its beverage segment in Mainland China amid the recovery of the overall economy in Mainland China with the COVID-19 pandemic under better control during the period.

The business environment in Hong Kong, on the other hand, remained static and was particularly challenging for hotels and Chinese restaurants whose businesses were materially affected by the COVID-19 pandemic. Having said that, the Group's performance in the region remained largely stable as (i) the Group's diverse customer base fortifies it against certain risks (indeed, some of the Group's customers, particularly fast-food and convenience store operators, thrived during the pandemic); and (ii) the Group has a well-established and effective internal control system and was able to exercise sound accounts receivable management with a bad debt ratio of less than 0.5% to revenue.

As the pandemic has accelerated the shift in consumer preferences towards online retail, in respect of its Hong Kong operations, the Group intends to focus on further developing its business-to-customer ("B2C") platform. Though the Group has already commenced selling its products online, it plans to place a greater focus on growing its online sales in the second half of 2021, and to that end, will expand its product penetration to more online retail platforms.

As stated above, the Group's operations in Mainland China performed well in the first half of 2021 largely due to the economic rebound that Mainland China is experiencing with the COVID-19 pandemic under better control. In light of the improved consumer sentiment in Mainland China, the Group intends to increase the coverage of its distribution network in the Greater Bay Area, Shanghai and certain other affluent or upwardly mobile cities in the second half of 2021. In addition, the Group intends to step up its marketing effort and explore partnerships with online marketing agencies in Mainland China that are able to offer services that include brand building and big data analytics.

As with its industry peers, the Group has been facing rising raw material and shipping costs during the COVID-19 pandemic and it is expected that such upward trend will continue in the second half of 2021. Despite an overall increase in cost of sales and selling and distribution expenses during the period, the Group strived to balance its cost of sales ratio and selling and distribution expenses ratio under prudent management. The Group will continue to closely monitor its commodity costs and evaluate appropriate measures that could be put in place to manage the exposure of the Group to risks in the highly speculative global commodities market.

As a leading integrated B2B coffee and black tea solutions provider in Hong Kong, Macau and the PRC with an expanding online retail presence, the Group believes it is well placed to capture growth opportunities and technology trends and is optimistic about its prospects in the second half of 2021 and beyond.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by HK\$71.6 million, or 24.7%, from HK\$289.7 million for the six months ended 30 June 2020 to HK\$361.3 million for the six months ended 30 June 2021. The increase was primarily due to the increase in revenue derived from the Group's coffee, tea and milk products, which was mainly the result of an increase in sales volume of these products in Mainland China from the gradual easing of COVID restrictions during the six months ended 30 June 2021.

Cost of Sales

The Group's cost of sales increased by HK\$44.3 million, or 25.9%, from HK\$171.1 million for the six months ended 30 June 2020 to HK\$215.4 million for the six months ended 30 June 2021. The increase in the cost of sales was primarily a result of the increase in raw material costs for the beverage solutions products, which in turn was mainly caused by the increase in overall sales volume of the coffee, tea and milk products.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by HK\$27.3 million, or 23.0%, from HK\$118.6 million for the six months ended 30 June 2020 to HK\$145.9 million for the six months ended 30 June 2021. The Group's gross profit margin decreased from 40.9% for the six months ended 30 June 2020 to 40.4% for the six months ended 30 June 2021.

Other Income and Gains, Net

The Group's other income and gains, net decreased by HK\$2.4 million, or 66.7%, from HK\$3.6 million for the six months ended 30 June 2020 to HK\$1.2 million for the six months ended 30 June 2021. The decrease was primarily a result of the decrease in bank interest income from the decrease in overall interest rate on deposits.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by HK\$9.0 million, or 18.8%, from HK\$47.8 million for the six months ended 30 June 2020 to HK\$56.8 million for the six months ended 30 June 2021, primarily due to the increase in (i) marketing and promotion expenses, and (ii) logistics expenses, which were generally in line with the increase in revenue.

Administrative Expenses

The Group's administrative expenses increased by HK\$2.4 million, or 6.5%, from HK\$36.9 million for the six months ended 30 June 2020 to HK\$39.3 million for the six months ended 30 June 2021. The increase was primarily a result of pre-operating expenses incurred in relation to the setup of meat cutting and slicing facilities.

Other Expenses, Net

The Group's other expenses, net, increased by HK\$0.2 million, or 10.0%, from HK\$2.0 million for the six months ended 30 June 2020 to HK\$2.2 million for the six months ended 30 June 2021. The increase was primarily a result of the increase in (i) write-down of inventories to net realisable value, and (ii) write-off of inventories, which was partially offset by the decrease in write-off of trade receivables.

Finance Costs

The Group's finance costs decreased by HK\$0.5 million, or 55.6%, from HK\$0.9 million for the six months ended 30 June 2020 to HK\$0.4 million for the six months ended 30 June 2021. The decrease was primarily the result of the decrease in interest on (i) bank borrowings from reduction in the outstanding balance of interest-bearing bank borrowings, and (ii) lease liabilities.

Income Tax Expense

The Group's income tax expense increased by HK\$4.5 million, or 78.9%, from HK\$5.7 million for the six months ended 30 June 2020 to HK\$10.2 million for the six months ended 30 June 2021, mainly due to the increase in profit before tax in Mainland China. The Group's effective tax rate increased from 16.5% for the six months ended 30 June 2020 to 21.0% for the six months ended 30 June 2021.

Profit for The Period and Net Profit Margin

As a result of the foregoing, the Group's profit for the period increased by HK\$9.5 million, or 33.0%, from HK\$28.8 million for the six months ended 30 June 2020 to HK\$38.3 million for the six months ended 30 June 2021. The Group's net profit margin increased from 10.0% for the six months ended 30 June 2020 to 10.6% for the six months ended 30 June 2021.

Capital Expenditure and Commitments

During the six months ended 30 June 2021, the Group incurred additions of property, plant and equipment of HK\$17.0 million (six months ended 30 June 2020: HK\$12.2 million). A substantial portion of the Group's capital expenditures were incurred in relation to the (i) set up of meat cutting and slicing facilities, (ii) purchase of coffee machines which were leased to the Group's customers, and (iii) product development laboratory.

As at 30 June 2021, the Group had capital commitment of HK\$10.8 million (31 December 2020: HK\$4.3 million), mainly comprising the related contracts of capital expenditure in production machineries on the Group's coffee roasting system and tea blending system.

Borrowings

As at 30 June 2021, the Group had total interest-bearing bank borrowings of HK\$1.2 million (31 December 2020: HK\$12.1 million).

Contingent Liabilities

During the six months ended 30 June 2021, the Group was not able to obtain the real estate ownership certificate for two warehouses located in the Mainland China with the carrying amounts of HK\$0.7 million and HK\$0.6 million, respectively, before accumulated depreciation of HK\$0.7 million and HK\$0.6 million, respectively. As the Group completed the construction of the relevant warehouses and commenced usage without obtaining the necessary construction planning permit and construction commencement permit prior to the construction and did not complete the filing of the necessary construction completion reports with the relevant authorities, the Group may be requested by the relevant authorities to demolish the construction and subject to a maximum penalty amounting to RMB1.3 million (equivalent to HK\$1.6 million) (31 December 2020: RMB1.3 million (equivalent to HK\$1.6 million)). Having considered the current practice of the relevant authorities and the advice from the Group's legal counsel in the PRC, the Directors believe that it is not probable that the relevant authorities will impose the penalty. In addition, the Directors considered the cost of demolishment of the two warehouses is not material to the Group. Accordingly, no provision for the relevant liability has been made.

Gearing Ratio

As at 30 June 2021, on the basis of total interest-bearing bank borrowings divided by equity attributable to owners of the parent, the Group's gearing ratio was 0.2% (31 December 2020: 2.2%). The decrease in gearing ratio was mainly due to a reduction in the outstanding balance of interest-bearing bank borrowings.

Foreign Currency Risk

The Group has transactional currency exposures. Such exposures mainly arise from sales or purchases by operating units in currencies other than the unit's functional currencies. The majority of the Group's foreign currency purchase transactions are denominated in the United States dollars. On the other hand, the sales and disbursements are mainly denominated in Hong Kong dollars and Renminbi. The management is closely monitoring the foreign exchange exposure of the Group. The Group will consider adopting a foreign currency hedging policy for significant foreign currency exposures.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rate. The Group monitors its interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Credit Risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, deposits and other receivables arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity Risk

The Group's objective is to ensure there are adequate funds to meet its liquidity requirements in the short and longer terms. In the management of liquidity risk, the Group has been maintaining a cash pooling system where excess liquidity is equalised internally through inter-group accounts. Depending on the specific requirements of each funding agreement, funding for the Group's operating companies may be sourced directly from the Group's bankers or indirectly through the Company.

HUMAN RESOURCES

As at 30 June 2021, the Group employed 219 and 239 (31 December 2020: 227 and 240) employees in Hong Kong and the PRC, respectively.

Remuneration packages are generally structured in reference to qualifications, experience, performance and market term. The Company has also adopted share option schemes to motivate valued employees.

During the six months ended 30 June 2021, the Group provided various trainings to its employees ranging from operation skills such as occupational safety training and machine control training to professional knowledge including management system and business knowledge, to ensure the effective implementation of the Group's business strategy.

USE OF PROCEEDS FROM LISTING

The shares of the Company (the “**Shares**”) were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 May 2018 (the “**Listing**”). After the full exercise of the Over-allotment Option (as defined in the prospectus dated 30 April 2018 issued by the Company in relation to the Listing) and after deducting underwriting commissions and all related expenses, the net proceeds from issuance and offer of the Shares in connection with the Listing (the “**Net Proceeds**”) amounted to HK\$232.6 million.

As announced on 4 March 2021, in light of, among other things, the adverse impact of COVID-19 on the market and economic condition in Southeast Asia and the uncertainty of the economic recovery in the region, the Board has resolved to revise the use of the then unutilised Net Proceeds by allocating the Net Proceeds originally designated for expansion into Southeast Asia to (i) strengthening business portfolio; and (ii) general working capital. The Board is of the view that the change in use of Net Proceeds would allow the Group to utilise its financial resources in a more beneficial and effective way. Please refer to the announcement of the Company dated 4 March 2021 for details of the change in use of Net Proceeds.

The original allocation of the Net Proceeds, the remaining balance after the revised allocation of the Net Proceeds on 4 March 2021, the utilisation of the Net Proceeds during the period from 4 March 2021 to 30 June 2021, the unutilised Net Proceeds as at 30 June 2021 and the expected timeline for the utilisation of the remaining Net Proceeds are as follows:

	Original allocation <i>HK\$'000</i>	Remaining balance after revised allocation <i>HK\$'000</i>	Utilisation during the period from 4 March 2021 to 30 June 2021 <i>HK\$'000</i>	Unutilised amount as at 30 June 2021 <i>HK\$'000</i>	Expected timeline for utilising the remaining Net Proceeds
Strengthen business portfolio	93,044	29,304	(12,971)	16,333	Before 31 December 2022
Capital investments of machineries and equipment	46,522	—	—	—	N/A
Expansion into Southeast Asia	23,261	—	—	—	N/A
Product customisation and development	23,261	14,486	(774)	13,712	Before 31 December 2022
Support sales and marketing	23,261	—	—	—	N/A
General working capital	23,261	7,929	(5,397)	2,532	Before 31 December 2021
Total	<u>232,610</u>	<u>51,719</u>	<u>(19,142)</u>	<u>32,577</u>	

The unutilised Net Proceeds have been placed as bank balances/time deposits with licensed banks in Hong Kong as at the date of this announcement.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of HK3.19 cents (six months ended 30 June 2020: HK1.58 cents) per Share for the six months ended 30 June 2021 payable on Thursday, 16 September 2021 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 3 September 2021.

In order to determine the entitlement of the shareholders to receive the aforesaid interim dividend, the register of members of the Company will be closed on Friday, 3 September 2021, during which no transfer of Shares will be registered. In order to be eligible to receive the interim dividend, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 September 2021.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with terms of reference in compliance with Rules 3.21 and 3.22 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and code provision C.3 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**"). The Audit Committee consists of three independent non-executive Directors, namely Mr. Tang Kwai Chang (Chairman), Mr. Wong Man Fai and Mr. Lok Kung Chin, Hardy. The Audit Committee reviewed with the management the accounting policies and practices adopted by the Company and discussed the auditing, internal control and financial reporting matters. The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021 have been reviewed by the Audit Committee.

In addition, the Company's external auditor, Ernst & Young, has performed an independent review of the Group's interim financial information for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company maintained a sufficient public float of the issued Shares (i.e. at least 25% of the issued Shares in the public hands) as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2021 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good corporate governance practices and providing transparency and accountability to its shareholders and stakeholders for enhancing investor confidence.

The Company has complied with the code provisions as set out in the CG Code during the six months ended 30 June 2021, except for a deviation from code provision A.2.1 of the CG Code in respect of the roles of chairman and chief executive officer of the Company.

Pursuant to code provision A.2.1 of CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Tat Tong (“**Mr. Wong**”) is currently the chairman of the Board and chief executive officer of the Company, responsible for formulating the overall business development strategy and planning of the Group. In view of the fact that Mr. Wong has been responsible for the overall management of the Group since 1978, the Board considered that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Company’s business strategies and maximizes the effectiveness of its operations.

The Board shall nevertheless review the structure from time to time and shall consider their appropriate adjustments should the need arise. There are three independent non-executive Directors on the Board and each of them possesses an adequate level of independence with their diverse background and experience. Therefore, the Board considers that the Company has achieved a balance of power and authority, accountability and independent decision-making under the present arrangement and provided sufficient protection to its and its shareholders’ interests. Further, the Audit Committee has free and direct access to the Company’s external auditors and independent professional advisers when it considers necessary. Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own Security Dealing Code (the “Code”) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Code is also applicable to the specified group of employees who may possess or have access to price sensitive information. Specific enquiries were made to all Directors, and all Directors have confirmed the compliance with the required standard set out in the Code throughout the six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.twcoffee.com). The interim report of the Company for the six months ended 30 June 2021 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Tsit Wing International Holdings Limited
Mr. Wong Tat Tong
Chairman and Executive Director

Hong Kong, 19 August 2021

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Mr. Wong Tat Tong, Ms. Fan Yee Man and Mr. Kam Chun Pong, Bernard. The independent non-executive Directors are Mr. Tang Kwai Chang, Mr. Wong Man Fai and Mr. Lok Kung Chin, Hardy.