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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2021 amounted to HK\$766.8 million, representing an increase of 20.1% from HK\$638.5 million as compared to the year ended 31 December 2020.
- Gross profit for the year ended 31 December 2021 amounted to HK\$299.0 million, representing an increase of 13.6% from HK\$263.1 million as compared to the year ended 31 December 2020.
- Gross profit margin decreased from 41.2% for the year ended 31 December 2020 to 39.0% for the year ended 31 December 2021.
- Profit for the year ended 31 December 2021 amounted to HK\$80.2 million, representing an increase of 4.4% from HK\$76.8 million as compared to the year ended 31 December 2020.
- Net profit margin decreased from 12.0% for the year ended 31 December 2020 to 10.5% for the year ended 31 December 2021.

* for identification purposes only

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tsit Wing International Holdings Limited (the “**Company**”) presents the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the previous financial year as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

| | | 2021 | 2020 |
|---|--------------|-------------------------|------------------|
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| REVENUE | 4 | 766,793 | 638,507 |
| Cost of sales | | <u>(467,815)</u> | <u>(375,453)</u> |
| Gross profit | | 298,978 | 263,054 |
| Other income and gains, net | 4 | 2,216 | 15,491 |
| Selling and distribution expenses | | (118,561) | (107,223) |
| Administrative expenses | | (77,215) | (74,261) |
| Other expenses, net | | (3,958) | (3,841) |
| Finance costs | 5 | <u>(864)</u> | <u>(1,441)</u> |
| PROFIT BEFORE TAX | 6 | 100,596 | 91,779 |
| Income tax expense | 7 | <u>(20,352)</u> | <u>(14,982)</u> |
| PROFIT FOR THE YEAR | | <u>80,244</u> | <u>76,797</u> |
| Attributable to: | | | |
| Owners of the parent | | <u>80,244</u> | <u>76,797</u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 9 | | |
| Basic | | 11.13 | 10.32 |
| Diluted | | <u>11.13</u> | <u>10.31</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| PROFIT FOR THE YEAR | <u>80,244</u> | <u>76,797</u> |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | <u>7,424</u> | <u>13,156</u> |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | <u>7,424</u> | <u>13,156</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u><u>87,668</u></u> | <u><u>89,953</u></u> |
| Attributable to: | | |
| Owners of the parent | <u><u>87,668</u></u> | <u><u>89,953</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*31 December 2021*

| | <i>Notes</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 168,951 | 143,913 |
| Intangible assets | | 220 | 330 |
| Deposits paid for purchases of items of property, plant and equipment | | 9,383 | 14,143 |
| Prepayments, deposits and other receivables | | 1,530 | 852 |
| Deferred tax assets | | 2,194 | 2,782 |
| Total non-current assets | | 182,278 | 162,020 |
| CURRENT ASSETS | | | |
| Inventories | | 166,606 | 117,959 |
| Trade receivables | 11 | 124,791 | 111,114 |
| Prepayments, deposits and other receivables | | 16,657 | 14,808 |
| Tax recoverable | | — | 2,032 |
| Cash and cash equivalents | | 272,114 | 276,807 |
| Total current assets | | 580,168 | 522,720 |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | 89,940 | 51,595 |
| Accruals and other payables | | 44,254 | 44,553 |
| Derivative financial instruments | | 443 | 491 |
| Interest-bearing bank borrowings | | 3,174 | 12,094 |
| Lease liabilities | | 12,593 | 8,427 |
| Tax payable | | 2,303 | 4,325 |
| Total current liabilities | | 152,707 | 121,485 |
| NET CURRENT ASSETS | | 427,461 | 401,235 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 609,739 | 563,255 |

| | <i>Notes</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 13,338 | 4,935 |
| Deferred tax liabilities | | 7,881 | 5,817 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 21,219 | 10,752 |
| | | <hr/> | <hr/> |
| Net assets | | 588,520 | 552,503 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 13 | 72,073 | 72,044 |
| Reserves | | 516,447 | 480,459 |
| | | <hr/> | <hr/> |
| Total equity | | 588,520 | 552,503 |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES:

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 year, the Company’s subsidiaries were engaged in the following principal activities:

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

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention except for derivative financial instruments which have been measured at fair value. They are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

| | |
|--|--|
| 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 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 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 31 December 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 year ended 31 December 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 financial statements of the Group for the year ended 31 December 2021.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable 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 food.

Management monitors the results of the Group’s 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 |
|--|--|---------------------------------------|---------------------------|
| Year ended 31 December 2021 | | | |
| Segment revenue (note 4) | | | |
| Sales to external customers | <u>750,009</u> | <u>16,784</u> | <u>766,793</u> |
| Segment results | 113,615 | (1,705) | 111,910 |
| <i>Reconciliation:</i> | | | |
| Interest income | | | 1,771 |
| Corporate and unallocated expenses, net | | | (12,981) |
| Finance costs (other than interest on lease liabilities) | | | <u>(104)</u> |
| Profit before tax | | | <u><u>100,596</u></u> |
| Other segment information: | | | |
| Depreciation and amortisation | 38,573 | 669 | 39,242 |
| Reversal of impairment of trade receivables | (550) | (145) | (695) |
| Impairment of trade receivables | 309 | 64 | 373 |
| Write-off of trade receivables | 722 | — | 722 |
| Write-down of inventories to net realisable value | 1,167 | — | 1,167 |
| Write-off of inventories | 457 | 109 | 566 |
| Gain on disposal of items of property, plant and equipment | (76) | — | (76) |
| Capital expenditure* | <u>23,695</u> | <u>7,519</u> | <u>31,214</u> |
| * The capital expenditure includes purchases of other items of property, plant and equipment of HK\$26,972,000 and deposits for purchases of other items of property, plant and equipment of HK\$4,242,000 incurred during the year. | | | |
| As at 31 December 2021 | | | |
| Segment assets | 484,819 | 19,851 | 504,670 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment receivables | | | (18,287) |
| Corporate and unallocated assets | | | <u>276,063</u> |
| Total assets | | | <u><u>762,446</u></u> |
| Segment liabilities | 166,073 | 20,736 | 186,809 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment payables | | | (18,287) |
| Corporate and unallocated liabilities | | | <u>5,404</u> |
| Total liabilities | | | <u><u>173,926</u></u> |

| | Beverage Solutions <i>HK\$'000</i> | Food Products <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|--|-------------------------------------|--------------------------|
| Year ended 31 December 2020 | | | |
| Segment revenue (note 4) | | | |
| Sales to external customers | 623,261 | 15,246 | 638,507 |
| Segment results | 102,317 | 1,805 | 104,122 |
| <i>Reconciliation:</i> | | | |
| Interest income | | | 3,685 |
| Corporate and unallocated expenses, net | | | (15,585) |
| Finance costs (other than interest on lease liabilities) | | | (443) |
| Profit before tax | | | 91,779 |
| Other segment information: | | | |
| Depreciation and amortisation | 38,856 | 69 | 38,925 |
| Reversal of impairment of trade receivables | (614) | — | (614) |
| Impairment of trade receivables | 785 | 50 | 835 |
| Write-off of trade receivables | 1,286 | — | 1,286 |
| Write-down of inventories to net realisable value | 748 | 8 | 756 |
| Write-off of inventories | 721 | 58 | 779 |
| Loss on disposal of items of property, plant and equipment | 81 | — | 81 |
| Capital expenditure* | 33,579 | 695 | 34,274 |
| * The capital expenditure includes purchases of other items of property, plant and equipment and right-of-use assets of HK\$19,545,000 and HK\$6,307,000, respectively, and deposits for purchases of other items of property, plant and equipment of HK\$8,422,000 incurred during the year. | | | |
| As at 31 December 2020 | | | |
| 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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Hong Kong | 473,765 | 418,663 |
| Mainland China | 281,849 | 209,876 |
| Others | 11,179 | 9,968 |
| | <u>766,793</u> | <u>638,507</u> |

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

(b) Non-current assets

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Hong Kong | 83,998 | 69,807 |
| Mainland China | 94,556 | 88,579 |
| | <u>178,554</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.

Information about a major customer

During the year, the Group's revenue from sales to an external customer, which is over 10% of the total revenue, amounted to HK\$206,842,000 (2020: HK\$163,449,000).

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue

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

| | Beverage Solutions HK\$'000 | Food Products HK\$'000 | Total HK\$'000 |
|--|--|---------------------------------------|---------------------------|
| Year ended 31 December 2021 | | | |
| Types of goods or services | | | |
| Sales of coffee, tea and other related complementary products | 723,465 | — | 723,465 |
| Sales of frozen food | — | 16,784 | 16,784 |
| Rental income from leasing of coffee and tea machines | 26,544 | — | 26,544 |
| | <u>750,009</u> | <u>16,784</u> | <u>766,793</u> |
| Total revenue from contracts with customers | <u>750,009</u> | <u>16,784</u> | <u>766,793</u> |
| Geographical markets | | | |
| Hong Kong | 457,671 | 16,094 | 473,765 |
| Mainland China | 281,159 | 690 | 281,849 |
| Others | 11,179 | — | 11,179 |
| | <u>750,009</u> | <u>16,784</u> | <u>766,793</u> |
| Total revenue from contracts with customers | <u>750,009</u> | <u>16,784</u> | <u>766,793</u> |
| Timing of revenue recognition | | | |
| Goods transferred at a point in time | 723,465 | 16,784 | 740,249 |
| Services transferred over time | 26,544 | — | 26,544 |
| | <u>750,009</u> | <u>16,784</u> | <u>766,793</u> |
| Total revenue from contracts with customers | <u>750,009</u> | <u>16,784</u> | <u>766,793</u> |

| | Beverage Solutions <i>HK\$'000</i> | Food Products <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|-------------------------------------|--------------------------|
| Year ended 31 December 2020 | | | |
| Types of goods or services | | | |
| Sales of coffee, tea and other related complementary products | 600,315 | — | 600,315 |
| Sales of frozen food | — | 15,246 | 15,246 |
| Rental income from leasing of coffee and tea machines | 22,891 | — | 22,891 |
| Food and beverage store operations | 55 | — | 55 |
| | <u>623,261</u> | <u>15,246</u> | <u>638,507</u> |
| Total revenue from contracts with customers | <u>623,261</u> | <u>15,246</u> | <u>638,507</u> |
| Geographical markets | | | |
| Hong Kong | 404,064 | 14,599 | 418,663 |
| Mainland China | 209,229 | 647 | 209,876 |
| Others | 9,968 | — | 9,968 |
| | <u>623,261</u> | <u>15,246</u> | <u>638,507</u> |
| Total revenue from contracts with customers | <u>623,261</u> | <u>15,246</u> | <u>638,507</u> |
| Timing of revenue recognition | | | |
| Goods transferred at a point in time | 600,370 | 15,246 | 615,616 |
| Services transferred over time | 22,891 | — | 22,891 |
| | <u>623,261</u> | <u>15,246</u> | <u>638,507</u> |
| Total revenue from contracts with customers | <u>623,261</u> | <u>15,246</u> | <u>638,507</u> |
| Other income and gains, net | | | |

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Bank interest income | 1,771 | 3,685 |
| Government subsidies* | — | 10,786 |
| COVID-19-related rent concessions from lessors | — | 619 |
| Gain on disposal of items of property, plant and equipment | 76 | — |
| Foreign exchange difference, net | — | 62 |
| Others | 369 | 339 |
| | <u>2,216</u> | <u>15,491</u> |

* Government subsidies for the year ended 31 December 2020 mainly represented subsidies received in connection with the support from the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region. There were no unfulfilled conditions or contingencies relating to these subsidies.

5. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Interest on bank borrowings | 104 | 443 |
| Interest on lease liabilities | 760 | 998 |
| | <u>864</u> | <u>1,441</u> |

6. PROFIT BEFORE TAX

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Cost of inventories sold [^] | 429,026 | 342,021 |
| Depreciation [^] : | | |
| Right-of-use assets | 13,541 | 15,031 |
| Other items of property, plant and equipment | 25,583 | 23,784 |
| | <u>39,124</u> | <u>38,815</u> |
| Amortisation of intangible assets | 118 | 110 |
| Lease payments not included in the measurement of lease liabilities | 681 | 1,191 |
| Foreign exchange differences, net* | 992 | (62) |
| Reversal of impairment of trade receivables* | (695) | (614) |
| Impairment of trade receivables* | 373 | 835 |
| Write-off of trade receivables* | 722 | 1,286 |
| Employee benefit expenses [^] : | | |
| Salaries, wages, allowances and bonuses | 119,732 | 110,683 |
| Equity-settled share option expense | — | 593 |
| Pension scheme contributions (defined contributing schemes) | 5,698 | 5,007 |
| | <u>125,430</u> | <u>116,283</u> |
| Write-down of inventories to net realisable value* | 1,167 | 756 |
| Write-off of inventories* | 566 | 779 |
| (Gain)/loss on disposal of items of property, plant and equipment* | (76) | 81 |
| Fair value losses, net of derivative financial instruments* | 833 | 718 |
| | <u>833</u> | <u>718</u> |

[^] The cost of sales for the year ended 31 December 2021 amounted to HK\$467,815,000 (2020: HK\$375,453,000) and included cost of inventories sold of HK\$429,026,000 (2020: HK\$342,021,000), depreciation charge of HK\$16,338,000 (2020: HK\$15,626,000) and employee benefit expenses of HK\$13,137,000 (2020: HK\$10,432,000).

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

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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2020: 25%).

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Current — Hong Kong | | |
| Charge for the year | 11,233 | 9,278 |
| Overprovision in prior years | (43) | (66) |
| Current — Mainland China | | |
| Charge for the year | 6,512 | 6,476 |
| Underprovision in prior years | 28 | 72 |
| Deferred | <u>2,622</u> | <u>(778)</u> |
| Total tax charge for the year | <u><u>20,352</u></u> | <u><u>14,982</u></u> |

8. DIVIDENDS

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Dividends recognised as distribution during the reporting period: | | |
| 2019 final dividend — HK3.33 cents per ordinary share | — | 24,916 |
| 2020 interim dividend — HK1.58 cents per ordinary share | — | 11,537 |
| 2020 final dividend — HK4.00 cents per ordinary share | 28,830 | — |
| 2021 interim dividend — HK3.19 cents per ordinary share | <u>22,991</u> | — |
| | <u><u>51,821</u></u> | <u><u>36,453</u></u> |
| Dividend proposed after the end of the reporting period: | | |
| Proposed final dividend — HK3.5 cents (2020: HK4.00 cents) per ordinary share | <u><u>25,226</u></u> | <u><u>28,824</u></u> |

The proposed final dividend for the year ended 31 December 2021 has been calculated by reference to 720,731,512 shares in issue on 10 March 2022 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount for the year ended 31 December 2021 is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 720,671,000 (2020: 744,055,000) in issue during the year.

The calculation of the diluted earnings per share amount for the year is based on the profit attributable to ordinary equity holders of the parent and (i) the weighted average number of ordinary shares in issue during the year, 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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation: | <u>80,244</u> | <u>76,797</u> |
| | <i>'000</i> | <i>'000</i> |
| Shares | | |
| Weighted average number of ordinary shares in issue and issuable during the year, used in the basic earnings per share calculation | 720,671 | 744,055 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| Share options | <u>53</u> | <u>981</u> |
| Weighted average number of ordinary shares, used in the diluted earnings per share calculation | <u>720,724</u> | <u>745,036</u> |

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2021, the Group acquired property, plant and equipment and right-of-use assets of HK\$36,171,000 (2020: HK\$24,071,000) and HK\$nil (2020: HK\$6,954,000), respectively, and recognised right-of-use assets of HK\$25,416,000 (2020: HK\$121,000).

11. TRADE RECEIVABLES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Trade receivables | 133,002 | 119,895 |
| Impairment | <u>(8,211)</u> | <u>(8,781)</u> |
| | <u>124,791</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 allowances, is as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Within 30 days | 67,730 | 63,893 |
| 31 to 60 days | 35,056 | 30,455 |
| 61 to 90 days | 13,438 | 9,517 |
| 91 to 120 days | 6,765 | 5,741 |
| 121 to 180 days | 1,174 | 535 |
| Over 180 days | <u>628</u> | <u>973</u> |
| | <u>124,791</u> | <u>111,114</u> |

12. TRADE PAYABLES

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 1 month | 87,452 | 50,134 |
| 1 to 2 months | 1,768 | 275 |
| 2 to 3 months | 706 | 498 |
| Over 3 months | <u>14</u> | <u>688</u> |
| | <u>89,940</u> | <u>51,595</u> |

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

13. SHARE CAPITAL

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| 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 (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 <i>HK\$'000</i> |
|---|--------------|----------------------|-------------------------------------|
| Authorised: | | | |
| At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 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 1 January 2021 | | 720,444,312 | 72,044 |
| Issue of shares upon exercise of share options | (a) | <u>287,200</u> | <u>29</u> |
| At 31 December 2021 | | <u>720,731,512</u> | <u>72,073</u> |

Notes:

- (a) During the year ended 31 December 2021, the subscription rights attaching to 287,200 (2020: 3,107,000) share options were exercised at the subscription price of HK\$0.594 per share, resulting in the issue of 287,200 (2020: 3,107,000) ordinary shares of par value of HK\$0.10 each ("Shares") for a total cash consideration, before expenses, of HK\$170,000 (2020: HK\$1,845,000). An amount of HK\$378,000 (2020: 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 Hong Kong Stock Exchange for a total consideration (before expenses) of HK\$52,924,000, which were cancelled during that 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\$48,264,000 and HK\$246,000, respectively, were charged to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite the challenging market situation for the year ended 31 December 2021, the Group has achieved a growth in sales revenue in both the Hong Kong and PRC markets. Given the Group has been clouded by the prevailing uncertainties as a result of the on-going COVID-19 pandemic, its performance was encouraging. In the previous year, the increase in profits was mainly attributable to the Group's beverage solutions business segment in the PRC. On top of focusing on the Group's traditional business-to-business (B2B) sales, it has continued to branch out its business-to-customer (B2C) sales through various offline and online platforms and broadened its sales channels.

Moreover, the Group has enhanced its presence in the Greater Bay Area and the Yangtze River Delta Area by establishing a management centre in Shenzhen, a production line in Dongguan and a sales hub in both Guangzhou and Shanghai. In addition, the Group has also set foot in the North, Central and West China Regions through adopting the distributorship model. The Group will endeavour to further develop its PRC business by utilising the extensive network established in the past years.

Apart from beverages products, the business plan of the Group's meat processing line became operational in 2021 and the Group plans to further optimise and develop its frozen food business.

For the year ended 31 December 2021, the Group recorded a total revenue of HK\$766.8 million, representing an increase of HK\$128.3 million, or 20.1%, compared to the year ended 31 December 2020. The increase in revenue was primarily attributable to the increase in revenue derived from beverage solutions business, and to a lesser extent, the increase in revenue derived from the food products business. Gross profit for the year ended 31 December 2021 amounted to HK\$299.0 million, representing an increase of HK\$35.9 million, or 13.6%, compared to the year ended 31 December 2020. Gross profit margin decreased from 41.2% for the year ended 31 December 2020 to 39.0% for the year ended 31 December 2021.

Beverage Solutions

Revenue from the beverage solutions segment increased by HK\$126.7 million, or 20.3%, from HK\$623.3 million for the year ended 31 December 2020 to HK\$750.0 million for the year ended 31 December 2021. The increase was primarily due to the increase in revenue derived from Mainland China following the recovery from COVID-19 pandemic since January 2021. Gross profit increased by HK\$37.3 million, or 14.4%, from HK\$259.2 million for the year ended 31 December 2020 to HK\$296.5 million for the year ended 31 December 2021, mainly in line with the increase in revenue. Gross profit

margin of the beverage solutions business decreased from 41.6% for the year ended 31 December 2020 to 39.5% for the year ended 31 December 2021, primarily because of the increase in raw material cost of coffee beans.

Food products

Revenue from the food products segment increased by HK\$1.6 million, or 10.5%, from HK\$15.2 million for the year ended 31 December 2020 to HK\$16.8 million for the year ended 31 December 2021. The increase was primarily because of the increase in revenue derived from Hong Kong. Gross profit decreased by HK\$1.3 million or 34.2% from HK\$3.8 million for the year ended 31 December 2020 to HK\$2.5 million for the year ended 31 December 2021 and gross profit margin decreased from 25.0% for the year ended 31 December 2020 to 14.9% for the year ended 31 December 2021.

REVENUE BY GEOGRAPHIC LOCATIONS

Hong Kong

For the year ended 31 December 2021, revenue generated in Hong Kong increased by HK\$55.1 million, or 13.2%, from HK\$418.7 million in the year ended 31 December 2020 to HK\$473.8 million for the year ended 31 December 2021. The increase in revenue generated in Hong Kong was primarily because of increase in sales of coffee, tea and milk products as a result of increase in customers' demand.

Mainland China

For the year ended 31 December 2021, revenue generated in Mainland China increased by HK\$71.9 million, or 34.3%, from HK\$209.9 million for the year ended 31 December 2020 to HK\$281.8 million for the year ended 31 December 2021. The increase in revenue was primarily due to the increase in sales volume of coffee, tea and milk products.

Others

In addition, the Group also sells a small portion of our products to Macau and other overseas regions including the United States, Australia, Canada, Malaysia, Philippines, Singapore and Taiwan through distributors. For the year ended 31 December 2021, revenue generated in other markets increased by HK\$1.2 million, or 12.0%, from HK\$10.0 million for the year ended 31 December 2020 to HK\$11.2 million for the year ended 31 December 2021. The increase in revenue was primarily as a result of the partial recovery of the overall economy from the COVID-19 pandemic.

BUSINESS PROSPECT

The COVID-19 pandemic in Hong Kong has become worse recently. As a result of the government further tightening its social distancing measures, such as suspension of dine-in services and many more to come if the situation deteriorates, the Group is unable to foresee and assess such impact on our businesses in the coming few months.

In light of a rapidly changing market which filled with uncontrollable uncertainties especially given the COVID-19 pandemic, the Group will proactively evaluate and adjust its sales strategies. Given the recurrent COVID-19 pandemic that has impacted the food and beverage industry, the Group will diversify its sales channels and promote its product mix to new and existing channels such as convenience stores and online-to-offline (O2O) platforms. The Group will also diversify its focus to strengthening its B2C sales via increasing its online platform coverage, and further optimising and developing its frozen food business. Meanwhile, the Group will monitor its costs prudently in response to the rising price of commodities and supply chain risks and adjust its business plan and strategies as and when appropriate.

Eying the great potential of the PRC market, the Group will continue to strengthen its market penetration and expand its production line in the Greater Bay Area and Yangtze River Delta, through utilising the extensive network established in the PRC in the past years.

As mentioned in the Group's 2020 Environmental, Social and Governance Report, the Group's commitment to maintaining environmental sustainability and fulfilling social responsibilities will not wane. By playing a proactive role in supporting a sustainable business practice, the Group will collaborate with a university in Hong Kong and explore the possibilities of recycling coffee and tea waste.

The year 2021 was a difficult year affecting people and business from all walks of life, yet the Group was well-positioned to overcome obstacles along its way. Looking ahead, the Group will remain agile and vigilant when executing the Group's long-term business plan in Hong Kong and the PRC and is devoted to exploring the sustainable development of the Group with the view of creating value for its shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by HK\$128.3 million, or 20.1%, from HK\$638.5 million for the year ended 31 December 2020 to HK\$766.8 million for the year ended 31 December 2021. The increase was primarily due to the increase in demand from the customers of the Group for its products as a result of the gradual recovery from COVID-19 in both Hong Kong and Mainland China, which resulted in the increase in sales volume of the products of the Group.

Cost of Sales

The Group's cost of sales increased by HK\$92.3 million, or 24.6%, from HK\$375.5 million for the year ended 31 December 2020 to HK\$467.8 million for the year ended 31 December 2021. The increase in the cost of sales was primarily as 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 and procurement price for the Group's major raw materials.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by HK\$35.9 million, or 13.6%, from HK\$263.1 million for the year ended 31 December 2020 to HK\$299.0 million for the year ended 31 December 2021. The Group's gross profit margin decreased from 41.2% for the year ended 31 December 2020 to 39.0% for the year ended 31 December 2021.

Other Income and Gains, Net

The Group's other income and gains, net decreased by HK\$13.3 million from HK\$15.5 million for the year ended 31 December 2020 to HK\$2.2 million for the year ended 31 December 2021. The decrease was primarily as a result of the absence of government subsidies received during the year ended 31 December 2021 in relation to wages subsidies under the Employment Support Scheme of the Anti-epidemic Fund operated by the Hong Kong government and the decrease in bank interest income due to the decrease in overall interest rate on deposits.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by HK\$11.4 million, or 10.6%, from HK\$107.2 million for the year ended 31 December 2020 to HK\$118.6 million for the year ended 31 December 2021, primarily due to 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\$2.9 million, or 3.9%, from HK\$74.3 million for the year ended 31 December 2020 to HK\$77.2 million for the year ended 31 December 2021. The increase was primarily a result of increase in staff costs, which reflected the increase in bonus provision in connection with the Group's performance.

Other Expenses, Net

The Group's other expenses, net increased by HK\$0.2 million, or 5.3% from HK\$3.8 million for the year ended 31 December 2020 to HK\$4.0 million for the year ended 31 December 2021. The increase was primarily as a result of write-down of inventories during the year ended 31 December 2021, which partially offset by decrease in write-off of trade receivables.

Finance Costs

The Group's finance costs decreased by HK\$0.5 million, or 35.7%, from HK\$1.4 million for the year ended 31 December 2020 to HK\$0.9 million for the year ended 31 December 2021. The decrease was primarily as a result of a reduction in the average outstanding balance of interest-bearing bank borrowings.

Income Tax Expense

The Group's income tax expense increased by HK\$5.4 million, or 36.0%, from HK\$15.0 million for the year ended 31 December 2020 to HK\$20.4 million for the year ended 31 December 2021, mainly due to the increase in deferred tax expenses. The Group's effective income tax rate increased from 16.3% for the year ended 31 December 2020 to 20.3% for the year ended 31 December 2021.

Profit For The Year and Net Profit Margin

As a result of the foregoing, the Group's profit for the year increased by HK\$3.4 million, or 4.4%, from HK\$76.8 million for the year ended 31 December 2020 to HK\$80.2 million for the year ended 31 December 2021. The Group's net profit margin decreased from 12.0% for the year ended 31 December 2020 to 10.5% for the year ended 31 December 2021.

Capital Expenditure and Commitments

During the year ended 31 December 2021, the Group incurred additions of property, plant and equipment and right-of-use assets of HK\$36.2 million (2020: HK\$24.1 million) and HK\$nil (2020: 7.0 million), respectively. A substantial portion of the Group's capital expenditures were incurred in relation to the capital expenditures on (i) purchase of coffee machines which were leased to the Group's customers, (ii) production machineries, and (iii) enhancement of facilities.

As at 31 December 2021, the Group had capital commitment of HK\$9.6 million (2020: HK\$4.3 million), mainly comprising the related contracts of capital expenditure in production machineries and enhancement of information technology system and hardware.

Borrowings

As at 31 December 2021, the Group had total interest-bearing bank borrowings of HK\$3.2 million (2020: HK\$12.1 million).

Contingent Liabilities

During the years ended 31 December 2020 and 2021, the Group was not able to obtain the real estate ownership certificates for two warehouses located in the Mainland China with the costs of HK\$653,000 and HK\$601,000, respectively. These two warehouses were fully depreciated in prior years. 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 can be subject to a maximum penalty amounting to RMB1.3 million (equivalent to HK\$1.6 million) (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, the directors of the Company believe that it is not probable that the relevant authorities will impose the penalty. In addition, the directors of the Company considered the cost of demolition of the two warehouses is not material to the Group. Accordingly, no provision for the relevant liability has been made.

Litigation Matter

In April 2020, our Group has filed a legal action against a third party in the PRC for infringement of trademark and improper competition and the final hearing was held in January 2022 by the People's Court of Shanghai Pudong New Area, the PRC ("the Court"). Up to the date of this announcement, we have not received the judgement from the Court yet on this case.

Gearing Ratio

As at 31 December 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 0.5% (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 foreign exchange exposure of the Group. The Group will consider to adopt a foreign currency hedging policy for significant foreign currency exposures should the need arise.

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 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 31 December 2021, the Group employed 207 and 235 (2020: 227 and 240) employees in Hong Kong and Mainland China, 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 year ended 31 December 2021, the Group provided various trainings to its employees ranging from operation skill 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 (the “**Prospectus**”) issued by the Company in relation to the offer of Shares) 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 the change in market and economic condition with the uncertainty in the economy recovery in Southeast Asia, the Board had resolved to revise the use of unutilised Net Proceeds from 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.

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 31 December 2021, the unutilised Net Proceeds as at 31 December 2021 and the expected timeline for the utilisation of the remaining Net Proceeds are as follows:

| | Original allocation HK\$'000 | Remaining balance after revised allocation on 4 March 2021 HK\$'000 | Utilisation during the period from 4 March 2021 to 31 December 2021 HK\$'000 | Unutilised amount as at 31 December 2021 HK\$'000 | Expected timeline for utilising the remaining Net Proceeds |
|--|------------------------------------|--|---|---|--|
| Strengthen business portfolio | 93,044 | 29,304 | (20,958) | 8,346 | 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 | (1,236) | 13,250 | Before 31 December ^(Note) 2023 |
| Support sales and marketing | 23,261 | — | — | — | N/A |
| General working capital | 23,261 | 7,929 | (7,929) | — | Before 31 December 2021 |
| Total | 232,610 | 51,719 | (30,123) | 21,596 | |

Note: The launching plan of the tea machines has been further delayed as the vendors could not deliver the machinery spare parts which are sourced from European countries as scheduled due to the COVID-19 pandemic. As such, the Group may not be able to fully utilise the remaining Net Proceeds according to the planned time frame as disclosed in the Prospectus and the aforesaid announcement of Company issued on 4 March 2021. In view of the uncertainties as a result of the on-going COVID-19 pandemic, the Board has resolved to further extend the expected timeline for utilising the remaining Net Proceeds for product customisation and development to 31 December 2023.

Save as disclosed above, the Group has applied the Net Proceeds according to plans as previously disclosed. The Group will continue to assess the current market conditions and monitor the utilization of the remaining Net Proceeds. 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.

DIVIDEND

The Board has proposed the payment of a final dividend of HK3.50 cents per ordinary Share in respect of the year ended 31 December 2021 (2020: HK4.00 cents per ordinary Share), to shareholders whose names appear on the register of members of the Company on Thursday, 5 May 2022. The total payout will amount to HK\$25.2 million (2020: HK\$28.8 million). The proposed dividend will be paid on or before Tuesday, 24 May 2022, subject to approval of the shareholders at the forthcoming annual general meeting of the Company (the “AGM”).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 April 2022 to Thursday, 28 April 2022, both days inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration 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 not later than 4:30 p.m. on Friday, 22 April 2022.

In addition, in order to determine the entitlement of the shareholders to receive the proposed final dividend, if approved, the register of members of the Company will be closed on Thursday, 5 May 2022, during which no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final 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 Wednesday, 4 May 2022.

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 D.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 Audit Committee has reviewed the Group's consolidated financial statements and annual results for the year ended 31 December 2021. The Audit Committee is of the view that the financial statements have been prepared in accordance with the applicable accounting standards and in compliance with the Listing Rules and relevant statutory provisions, and is satisfied that sufficient disclosure has been made.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company's auditor, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2021. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by the Company's auditor on this announcement.

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

During the year ended 31 December 2021, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from 1 January 2021 and up to the date of this announcement.

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 31 December 2021 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 28 April 2022, for the purpose of, among other things, approving the payment for a final dividend of HK3.50 cents per ordinary Share. For details of the AGM, please refer to the Notice of AGM, which will be published and issued to the shareholders in due course.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to striving for good corporate governance practices and emphasising on 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 (to the extent that such provision are applicable) during the year ended 31 December 2021, ensuring that the Company is up to the requirements as being diligent, accountable and professional, except for a deviation from code provision A.2.1 (which has been re-numbered as C.2.1 since 1 January 2022) 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 Mr. Wong having 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 maximises effectiveness of its operations.

The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstances arise. There are three independent non-executive Directors in the Board, each of them possesses adequate level of independence with diverse background and experience, and therefore the Board considers 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 Group has adopted its own Securities 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 Companies contained 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 compliance with the required standard set out in the Code throughout the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.twcoffee.com). The annual report of the Company for the year ended 31 December 2021 will be dispatched to shareholders of the Company and published on the aforesaid websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to thank the shareholders, customers and business partners for their ongoing support, and our Directors, management and employees for their dedication and contributions to our progress.

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

Hong Kong, 10 March 2022

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.