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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 2023

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2023 amounted to HK\$728.9 million, representing an increase of 4.7% from HK\$695.9 million as compared to the year ended 31 December 2022.
- Gross profit for the year ended 31 December 2023 amounted to HK\$240.6 million, representing an increase of 2.5% from HK\$234.8 million as compared to the year ended 31 December 2022.
- Gross profit margin decreased from 33.7% for the year ended 31 December 2022 to 33.0% for the year ended 31 December 2023.
- Profit for the year ended 31 December 2023 amounted to HK\$48.7 million, representing an increase of 2.7% from HK\$47.4 million as compared to the year ended 31 December 2022.
- Net profit margin decreased from 6.8% for the year ended 31 December 2022 to 6.7% for the year ended 31 December 2023.

* 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 2023, together with the comparative figures for the previous financial year as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	728,930	695,938
Cost of sales		<u>(488,377)</u>	<u>(461,176)</u>
Gross profit		240,553	234,762
Other income and gains, net	4	5,937	11,252
Selling and distribution expenses		(102,829)	(104,437)
General and administrative expenses		(79,328)	(79,237)
Other expenses, net		(4,295)	(4,209)
Finance costs	5	<u>(1,040)</u>	<u>(892)</u>
PROFIT BEFORE TAX	6	58,998	57,239
Income tax expense	7	<u>(10,287)</u>	<u>(9,815)</u>
PROFIT FOR THE YEAR		<u>48,711</u>	<u>47,424</u>
Attributable to:			
Owners of the parent		<u>48,711</u>	<u>47,424</u>
		<i>HK cents</i>	<i>HK cents</i>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u>6.76</u>	<u>6.58</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>48,711</u>	<u>47,424</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(4,466)</u>	<u>(22,797)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR	<u>(4,466)</u>	<u>(22,797)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>44,245</u></u>	<u><u>24,627</u></u>
Attributable to:		
Owners of the parent	<u><u>44,245</u></u>	<u><u>24,627</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*31 December 2023*

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	10	187,804	189,711
Intangible assets		—	91
Deposits paid for purchases of items of property, plant and equipment		25,531	18,774
Prepayments, deposits and other receivables		1,519	1,519
Deferred tax assets		2,800	2,622
Total non-current assets		217,654	212,717
CURRENT ASSETS			
Inventories		131,502	195,920
Trade receivables	11	115,169	109,629
Prepayments, deposits and other receivables		12,136	18,030
Tax recoverable		151	4,486
Cash and cash equivalents		253,752	189,789
Assets classified as held for sale		512,710 4,753	517,854 —
Total current assets		517,463	517,854
CURRENT LIABILITIES			
Trade payables	12	63,360	77,909
Accruals and other payables		44,132	42,055
Derivative financial instruments		161	312
Interest-bearing bank borrowings		7,130	10,622
Lease liabilities		7,433	11,319
Tax payable		3,710	1,047
Total current liabilities		125,926	143,264
NET CURRENT ASSETS		391,537	374,590
TOTAL ASSETS LESS CURRENT LIABILITIES		609,191	587,307

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		10,524	4,705
Deferred tax liabilities		8,231	7,366
		<hr/>	<hr/>
Total non-current liabilities		18,755	12,071
		<hr/>	<hr/>
Net assets		590,436	575,236
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	72,073	72,073
Reserves		518,363	503,163
		<hr/>	<hr/>
Total equity		590,436	575,236
		<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 Canon’s Court, 22 Victoria Street, Hamilton HM 12, 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 of coffee and tea machines and provision of coffee and tea machine solutions

2. ACCOUNTING POLICIES

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 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. Assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. 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 new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any material impact on the financial position or performance of the Group upon initial application.
- (d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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 and tea machines and other related products, and provides coffee and tea machine solutions; and
- (b) the food products (“**Food Products**”) segment trades frozen 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 and non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude 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 2023			
Segment revenue (note 4)			
Sales to external customers	<u>717,431</u>	<u>11,499</u>	<u>728,930</u>
Segment results	68,728	(753)	67,975
<i>Reconciliation:</i>			
Interest income			5,292
Corporate and other unallocated expenses, net			(13,747)
Finance costs (other than interest on lease liabilities)			<u>(522)</u>
Profit before tax			<u><u>58,998</u></u>
Other segment information:			
Depreciation and amortisation	38,365	926	39,291
Reversal of impairment of trade receivables	(410)	(27)	(437)
Impairment of trade receivables	1,844	—	1,844
Write-off of trade receivables	361	2	363
Write-down of inventories to net realisable value	619	—	619
Write-off of inventories	232	204	436
Loss on disposal of items of property, plant and equipment	643	56	699
Capital expenditure*	<u>37,688</u>	<u>96</u>	<u>37,784</u>
* The capital expenditure consists of additions to property, plant and equipment of HK\$22,924,000 and deposits paid for purchases of items of property, plant and equipment of HK\$14,860,000 during the year.			
As at 31 December 2023			
Segment assets	500,073	6,135	506,208
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(30,097)
Corporate and other unallocated assets			<u>259,006</u>
Total assets			<u><u>735,117</u></u>
Segment liabilities	140,207	27,749	167,956
<i>Reconciliation:</i>			
Elimination of intersegment payables			(30,097)
Corporate and other unallocated liabilities			<u>6,822</u>
Total liabilities			<u><u>144,681</u></u>

	Beverage Solutions <i>HK\$'000</i>	Food Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022			
Segment revenue (note 4)			
Sales to external customers	680,019	15,919	695,938
Segment results	70,116	(2,357)	67,759
<i>Reconciliation:</i>			
Interest income			2,450
Corporate and other unallocated expenses, net			(12,675)
Finance costs (other than interest on lease liabilities)			(295)
Profit before tax			57,239
Other segment information:			
Depreciation and amortisation	39,657	1,128	40,785
Reversal of impairment of trade receivables	(21)	—	(21)
Impairment of trade receivables	2,135	140	2,275
Write-off of trade receivables	168	—	168
Write-down of inventories to net realisable value	131	161	292
Write-off of inventories	922	504	1,426
Loss on disposal of items of property, plant and equipment	69	—	69
Capital expenditure*	76,328	—	76,328
* The capital expenditure consists of additions to property, plant and equipment of HK\$63,370,000 and deposits paid for purchases of items of property, plant and equipment of HK\$12,958,000 during the year ended 31 December 2022.			
As at 31 December 2022			
Segment assets	545,452	13,739	559,191
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(20,265)
Corporate and other unallocated assets			191,645
Total assets			730,571
Segment liabilities	145,144	26,780	171,924
<i>Reconciliation:</i>			
Elimination of intersegment payables			(20,265)
Corporate and other unallocated liabilities			3,676
Total liabilities			155,335

Geographical information

(a) Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	492,303	459,210
Mainland China	219,344	224,201
Others	17,283	12,527
	<u>728,930</u>	<u>695,938</u>

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

(b) Non-current assets

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	122,863	118,875
Mainland China	90,472	89,701
	<u>213,335</u>	<u>208,576</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

The Group's revenues from sales to an external customer reported in the Beverage Solutions segment, which in aggregate exceeded 10% of the Group's total revenue, amounted to HK\$179,089,000 for the year (2022: HK\$197,351,000).

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue

An analysis of disaggregated information 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 2023			
Types of goods or services			
Sales of coffee, tea and other related complementary products	697,372	—	697,372
Sales of frozen food	—	11,499	11,499
Income from provision of coffee and tea machine solutions	20,059	—	20,059
	<u>717,431</u>	<u>11,499</u>	<u>728,930</u>
Total revenue from contracts with customers	<u>717,431</u>	<u>11,499</u>	<u>728,930</u>
Geographical markets			
Hong Kong	480,804	11,499	492,303
Mainland China	219,344	—	219,344
Others	17,283	—	17,283
	<u>717,431</u>	<u>11,499</u>	<u>728,930</u>
Total revenue from contracts with customers	<u>717,431</u>	<u>11,499</u>	<u>728,930</u>
Timing of revenue recognition			
Goods transferred at a point in time	697,372	11,499	708,871
Services transferred over time	20,059	—	20,059
	<u>717,431</u>	<u>11,499</u>	<u>728,930</u>
Total revenue from contracts with customers	<u>717,431</u>	<u>11,499</u>	<u>728,930</u>

	Beverage Solutions <i>HK\$'000</i>	Food Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022			
Types of goods or services			
Sales of coffee, tea and other related complementary products	660,066	—	660,066
Sales of frozen food	—	15,919	15,919
Income from provision of coffee and tea machine solutions	19,953	—	19,953
Total revenue from contracts with customers	<u>680,019</u>	<u>15,919</u>	<u>695,938</u>
Geographical markets			
Hong Kong	443,911	15,299	459,210
Mainland China	223,581	620	224,201
Others	12,527	—	12,527
Total revenue from contracts with customers	<u>680,019</u>	<u>15,919</u>	<u>695,938</u>
Timing of revenue recognition			
Goods transferred at a point in time	660,066	15,919	675,985
Services transferred over time	19,953	—	19,953
Total revenue from contracts with customers	<u>680,019</u>	<u>15,919</u>	<u>695,938</u>
Other income and gains, net			

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	5,292	2,450
Government subsidies*	—	4,671
Gains on changes in fair value of derivative financial instruments, net	—	963
Foreign exchange gains, net	—	2,395
Others	645	773
	<u>5,937</u>	<u>11,252</u>

* Government subsidies represent subsidies granted under the Employment Support Scheme of the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or contingencies relating to these subsidies.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings	522	295
Interest on lease liabilities	518	597
	<u>1,040</u>	<u>892</u>

6. PROFIT BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold [^]	447,988	420,818
Depreciation [^] :		
Right-of-use assets	12,800	13,912
Other items of property, plant and equipment	26,401	26,759
	<u>39,201</u>	<u>40,671</u>
Amortisation of intangible assets ^{**}	90	114
Lease payments not included in the measurement of lease liabilities	1,013	762
Foreign exchange differences, net [*]	586	(2,395)
Reversal of impairment of trade receivables [*]	(437)	(21)
Impairment of trade receivables [*]	1,844	2,275
Write-off of trade receivables [*]	363	168
Employee benefit expenses (including directors' remuneration) [^] :		
Salaries, wages, fees, allowances and bonuses	110,662	111,806
Pension scheme contributions (defined contributing schemes)	5,956	6,145
	<u>116,618</u>	<u>117,951</u>
Write-down of inventories to net realisable value [*]	619	292
Write-off of inventories [*]	436	1,426
Loss on disposal of items of property, plant and equipment [*]	699	69
Losses/(gains) on changes in fair value of derivative financial instruments, net [*]	185	(963)

[^] The cost of sales for the year ended 31 December 2023 amounted to HK\$488,377,000 (2022: HK\$461,176,000), including, but not limited to, cost of inventories sold of HK\$447,988,000 (2022: HK\$420,818,000), depreciation charge of HK\$15,855,000 (2022: HK\$16,559,000) and employee benefit expenses of HK\$13,758,000 (2022: HK\$13,584,000).

^{*} 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 depending on whether they had a credit or debit balance for the respective years.

^{**} Amortisation of intangible assets for the years are included in "General and administrative expenses" 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% (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable in Mainland China have been provided at the rate of 25% (2022: 25%).

	2023	2022
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the year	7,731	7,090
Under/(over)provision in prior years	7	(159)
Current — Mainland China		
Charge for the year	1,829	3,649
Deferred	720	(765)
	<u>10,287</u>	<u>9,815</u>
Total tax charge for the year	<u>10,287</u>	<u>9,815</u>

8. DIVIDENDS

	2023	2022
	HK\$'000	HK\$'000
Dividends recognised as distributions during the reporting period:		
2021 final dividend — HK3.50 cents per ordinary share	—	25,226
2022 interim dividend — HK1.76 cents per ordinary share	—	12,685
2022 final dividend — HK2.19 cents per ordinary share	15,784	—
2023 interim dividend — HK1.84 cents per ordinary share	13,261	—
	<u>29,045</u>	<u>37,911</u>
Dividend proposed after the end of the reporting period:		
Special dividend — HK13.87 cents (2022: Nil) per ordinary share	100,000	—
Proposed final dividend — HK2.22 cents (2022: HK2.19 cents) per ordinary share	16,000	15,784
	<u>116,000</u>	<u>15,784</u>

The special dividend has been calculated by reference to 720,731,512 shares in issue on 4 March 2024. It was paid on 11 March 2024.

The proposed final dividend for the year ended 31 December 2023 has been calculated by reference to 720,731,512 shares in issue on 28 March 2024 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 2023 is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 720,732,000 (2022: 720,732,000) in issue during the year.

The Group has no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>48,711</u>	<u>47,424</u>
	<i>'000</i>	<i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculations	<u>720,732</u>	<u>720,732</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2023, the Group acquired property, plant and equipment of HK\$30,839,000 (2022: HK\$66,405,000) and recognised right-of-use assets of HK\$14,352,000 (2022: HK\$3,639,000).

11. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	126,252	119,445
Impairment	<u>(11,083)</u>	<u>(9,816)</u>
	<u>115,169</u>	<u>109,629</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where the Group normally requires 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 as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	100,546	94,171
31 to 60 days	7,614	8,654
61 to 90 days	4,844	4,140
91 to 120 days	1,435	1,393
121 to 180 days	396	894
Over 180 days	334	377
	115,169	109,629

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	62,544	75,808
1 to 2 months	45	1,805
2 to 3 months	18	142
Over 3 months	753	154
	63,360	77,909

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

13. ISSUED CAPITAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
720,731,512 (2022: 720,731,512) ordinary shares of HK\$0.10 each	72,073	72,073

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite a challenging market environment for the year ended 31 December 2023, the Group has achieved growth in sales revenue in the Hong Kong market, as well as a nearly full recovery from the impact of the COVID-19 pandemic. Such encouraging performance signifies the sound position of the Group in the Hong Kong market.

In respect of the Group's business in Mainland China, its performance is underwhelming as a result of a slower-than-expected economic recovery and an apparent reduction in consumer spending. To tackle the constraints and uncertainties the Group's business faced in Mainland China, the Group implemented various enhancement initiatives focused on cost control, streamlining the production process, and optimizing the production system with the objective of improving operational efficiency.

Under the global economic environment, the commodity prices of raw materials have been inevitably volatile. The rise in the price of coffee beans continued to affect the gross profit of the Group, despite the commodity hedging taken and stringent cost control implemented by the Group.

For the year ended 31 December 2023, the Group recorded a total revenue of HK\$728.9 million, representing an increase of HK\$33.0 million, or 4.7%, compared to the year ended 31 December 2022. The increase in revenue was primarily attributable to the increase in revenue derived from beverage solutions business in Hong Kong. Gross profit for the year ended 31 December 2023 amounted to HK\$240.6 million, representing an increase of HK\$5.8 million, or 2.5%, compared to the year ended 31 December 2022. Gross profit margin slightly decreased from 33.7% for the year ended 31 December 2022 to 33.0% for the year ended 31 December 2023.

Beverage Solutions

Revenue from the beverage solutions segment increased by HK\$37.4 million, or 5.5%, from HK\$680.0 million for the year ended 31 December 2022 to HK\$717.4 million for the year ended 31 December 2023. The increase was primarily due to the increase in revenue derived from the Group's coffee and tea products, which was mainly the result of an increase in sales volume of these products arising from the resumption of normalcy in Hong Kong and in Mainland China after the COVID-19 pandemic. Gross profit increased by HK\$5.3 million, or 2.3%, from HK\$233.8 million for the year ended 31 December 2022 to HK\$239.1 million for the year ended 31 December 2023, mainly in line with the increase in revenue. Gross profit margin of the beverage solutions business decreased from 34.4% for the year ended 31 December 2022 to 33.3% for the year ended 31 December 2023, primarily because of the increase in raw material costs for beverage solutions products.

Food products

Revenue from the food products segment decreased by HK\$4.4 million, or 27.7%, from HK\$15.9 million for the year ended 31 December 2022 to HK\$11.5 million for the year ended 31 December 2023. The decrease was primarily because of the decrease in revenue derived from Hong Kong. However, the gross profit increased by HK\$0.4 million or 40.0% from HK\$1.0 million for the year ended 31 December 2022 to HK\$1.4 million for the year ended 31 December 2023 and gross profit margin increased from 6.3% for the year ended 31 December 2022 to 12.2% for the year ended 31 December 2023, primarily due to increase in sales of frozen processed food products with higher gross profit margin and decrease in sales of frozen meat products with lower gross profit margin.

REVENUE BY GEOGRAPHIC LOCATIONS

Hong Kong

For the year ended 31 December 2023, revenue generated in Hong Kong increased by HK\$33.1 million, or 7.2%, from HK\$459.2 million for the year ended 31 December 2022 to HK\$492.3 million for the year ended 31 December 2023. The increase in revenue generated in Hong Kong was primarily because of the increase in sales of coffee, tea and milk products as a result of an increase in customers' demand.

Mainland China

For the year ended 31 December 2023, revenue generated in Mainland China decreased by HK\$4.9 million, or 2.2%, from HK\$224.2 million for the year ended 31 December 2022 to HK\$219.3 million for the year ended 31 December 2023. The decrease in revenue was primarily due to the decrease in the sales volume of tea 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, Guam, Singapore and Taiwan through distributors. For the year ended 31 December 2023, revenue generated in other markets increased by HK\$4.8 million, or 38.4%, from HK\$12.5 million for the year ended 31 December 2022 to HK\$17.3 million for the year ended 31 December 2023. 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 business environment is expected to present challenges, notably due to the increasing post-pandemic travel enthusiasm and the consequential surge in cross-border spending. Furthermore, apparent market uncertainties in Mainland China have added to the complexities faced by the Group.

Nonetheless, the Group is optimistic about a full recovery from the impact of the COVID-19 pandemic. By adjusting the Group's business strategies to adhere to its long-term business plans in Hong Kong and Mainland China with agility and leveraging its comprehensive customer network, the Group is poised to enhance profitability and achieve improved financial performance in the coming year while navigating challenges it may face effectively.

The Group will continue to closely monitor the market trends and actively respond to the evolving post-pandemic lifestyle and dining habits, which will continue to be integral to the Group's success. As a result of the series of enhancement initiatives the Group implemented and the engagement of an external advisor in the hopes of increasing operational efficiency, the Group is confident in its ability to capitalise on emerging opportunities.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by HK\$33.0 million, or 4.7%, from HK\$695.9 million for the year ended 31 December 2022 to HK\$728.9 million for the year ended 31 December 2023. The increase was primarily due to the increase in demand from the customers of the Group for its products as a result from the resumption of normalcy after the COVID-19 pandemic, 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\$27.2 million, or 5.9%, from HK\$461.2 million for the year ended 31 December 2022 to HK\$488.4 million for the year ended 31 December 2023. 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 caused by the increase in overall sales volume.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by HK\$5.8 million, or 2.5%, from HK\$234.8 million for the year ended 31 December 2022 to HK\$240.6 million for the year ended 31 December 2023. The Group's gross profit margin slightly decreased from 33.7% for the year ended 31 December 2022 to 33.0% for the year ended 31 December 2023.

Other Income and Gains, Net

The Group's other income and gains, net decreased by HK\$5.4 million from HK\$11.3 million for the year ended 31 December 2022 to HK\$5.9 million for the year ended 31 December 2023. The decrease was primarily due to no government subsidies were granted under the Employment Support Scheme of the Government of the Hong Kong Special Administrative Region during the year ended 31 December 2023.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by HK\$1.6 million, or 1.5%, from HK\$104.4 million for the year ended 31 December 2022 to HK\$102.8 million for the year ended 31 December 2023, primarily due to the decrease in (i) marketing and promotion expenses, and (ii) staff costs, which was attributable to the diligent cost control measures maintained by us.

General and Administrative Expenses

The Group's general and administrative expenses remained stable and only slightly increased by HK\$0.1 million, or 0.1%, from HK\$79.2 million for the year ended 31 December 2022 to HK\$79.3 million for the year ended 31 December 2023.

Other Expenses, Net

The Group's other expenses, net increased by HK\$0.1 million, or 2.4% from HK\$4.2 million for the year ended 31 December 2022 to HK\$4.3 million for the year ended 31 December 2023. The slight increase was primarily a result of the losses on foreign exchange.

Finance Costs

The Group's finance costs slightly increased by HK\$0.1 million, or 11.1%, from HK\$0.9 million for the year ended 31 December 2022 to HK\$1.0 million for the year ended 31 December 2023. The increment was primarily the result of the increase in average interest rate on bank borrowings.

Income Tax Expense

The Group's income tax expense increased by HK\$0.5 million, or 5.1%, from HK\$9.8 million for the year ended 31 December 2022 to HK\$10.3 million for the year ended 31 December 2023, mainly due to the increase in profit before tax. The Group's effective income tax rate slightly increased from 17.1% for the year ended 31 December 2022 to 17.5% for the year ended 31 December 2023.

Profit For The Year and Net Profit Margin

The Group's profit for the year increased by HK\$1.3 million, or 2.7%, from HK\$47.4 million for the year ended 31 December 2022 to HK\$48.7 million for the year ended 31 December 2023. The Group's net profit margin slightly decreased from 6.8% for the year ended 31 December 2022 to 6.7% for the year ended 31 December 2023.

Capital Expenditure and Commitments

During the year ended 31 December 2023, the Group recorded additions of property, plant and equipment of HK\$30.8 million (2022: HK\$66.4 million). A substantial portion of the Group's capital expenditure for the year ended 31 December 2023 was in relation to (i) purchase of coffee and tea machines which were leased to the Group's customers, (ii) production machineries and (iii) enhancement of facilities.

As at 31 December 2023, the Group had capital commitments of HK\$3.9 million (2022: HK\$14.2 million), mainly comprising the amounts related to contracts of capital expenditure in production machineries.

Borrowings

As at 31 December 2023, the Group had total interest-bearing bank borrowings of HK\$7.1 million (2022: HK\$10.6 million).

Contingent Liabilities

During the years ended 31 December 2023 and 2022, the Group was not able to obtain the real estate ownership certificates for two warehouses located in Mainland China with 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\$1.5 million) (2022: RMB1.3 million (equivalent to HK\$1.5 million)). Having considered the current practice of the relevant authorities and the advice from the Group's legal counsel, the Directors believe that it is not probable that the relevant

authorities will impose the penalty. In addition, the Directors 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, the Group filed a legal action against a third party in Mainland China for infringement of trademark and improper competition. In July 2022, the Group received a favorable judgement from the People's Court of Shanghai Pudong New Area, Mainland China. Up to the date of this announcement, the third party filed a petition for appeal against the first instance judgement, and the appeal is still pending.

Gearing Ratio

As at 31 December 2023, on the basis of total interest-bearing bank borrowings divided by equity attributable to owners of the parent, the Group's gearing ratio was 1.2% (2022: 1.8%). The decrease in gearing ratio was mainly due to a decrease 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 Group's sales are mainly denominated in Hong Kong dollars and Renminbi. The management is closely monitoring foreign exchange exposures of the Group. The Group will consider adopting 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 limited.

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 the 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 2023, the Group employed 195 and 203 (2022: 209 and 198) employees in Hong Kong and Mainland China, respectively.

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

During the year ended 31 December 2023, 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 systems 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 offer of Shares) and after deducting underwriting commissions and all related expenses, the net proceeds from the 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 the market and economic condition with the uncertainty in the economic 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) the strengthening of business portfolio; and (ii) general working capital. The Board is of the view that the change in the 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 as at 31 December 2023, the unutilised Net Proceeds as at 31 December 2023 and the expected timeline for the utilisation of the remaining Net Proceeds are as follows:

	Original allocation <i>HK\$'000</i>	Remaining balance as at 1 January 2023 <i>HK\$'000</i>	Utilisation during the period <i>HK\$'000</i>	Unutilised amount as at 31 December 2023 <i>HK\$'000</i>	Expected timeline for utilising the remaining Net Proceeds
Strengthen business portfolio	93,044	—	—	—	N/A
Capital investments of machineries and equipment	46,522	—	—	—	N/A
Expansion into Southeast Asia	23,261	—	—	—	N/A
Product customisation and development	23,261	11,117	(11,117)	—	N/A
Support sales and marketing	23,261	—	—	—	N/A
General working capital	23,261	—	—	—	N/A
Total	<u>232,610</u>	<u>11,117</u>	<u>(11,117)</u>	<u>—</u>	

Save as disclosed above, the Group has applied the Net Proceeds according to plans as previously disclosed. The Group had fully utilised the Net Proceeds as at 31 December 2023.

DIVIDENDS

On 16 February 2024, the Board has declared a special dividend of HK13.87 cents (the “**Special Dividend**”) per ordinary Share to the shareholders whose name appear on the register of members of the Company on 4 March 2024. The total payout amounted to HK\$100 million. The Special Dividend was paid on 11 March 2024.

The Board has proposed the payment of a final dividend of HK2.22 cents per ordinary Share in respect of the year ended 31 December 2023 (2022: HK2.19 cents per ordinary Share), to shareholders whose names appear on the register of members of the Company on Tuesday, 28 May 2024. The total payout will amount to HK\$16 million (2022: HK\$15.8 million). The proposed dividend will be paid on or before Wednesday, 12 June 2024, 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 Friday, 17 May 2024 to Wednesday, 22 May 2024, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 16 May 2024.

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 Tuesday, 28 May 2024, during which no transfer of Shares 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 27 May 2024.

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 C1 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 2023. 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 disclosures have been made.

SCOPE OF WORK OF THE COMPANY'S AUDITORS 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 2023 as set out in the preliminary announcement have been agreed by the Company's auditors, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2023. The work performed by the Company's auditors in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditors on the preliminary announcement.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from 1 January 2023 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

Subsequent to the end of the reporting period, a special dividend of HK13.87 cents per ordinary share totalling approximately HK\$100 million was declared on 16 February 2024. It was paid on 11 March 2024.

On 20 February 2024, the sale of assets classified as held for sale for a cash consideration of HK\$17.2 million was completed and resulted in a gain on disposal of approximately HK\$12.4 million.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 22 May 2024, for the purpose of, among other things, approving the payment for a final dividend of HK2.22 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 provisions are applicable) during the year ended 31 December 2023, ensuring that the Company is up to the requirements as being diligent, accountable and professional, except for a deviation from code provision C.2.1 of the CG Code in respect of the roles of chairman and chief executive officer of the Company.

Pursuant to code provision C.2.1 of the 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 the 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 the 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 C.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 C3 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 standards set out in the Code throughout the year ended 31 December 2023.

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 2023 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, 28 March 2024

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