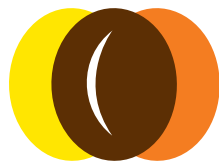


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TWG

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 2018**

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2018 amounted to HK\$1,071.2 million, representing an increase of 12.2% from HK\$954.6 million as compared to the year ended 31 December 2017.
- Gross profit for the year ended 31 December 2018 amounted to HK\$333.1 million, representing an increase of 15.0% from HK\$289.6 million as compared to the year ended 31 December 2017.
- Profit attributable to owners of the parent for the year ended 31 December 2018 amounted to HK\$75.8 million, representing an increase of 64.4% from HK\$46.1 million as compared to the year ended 31 December 2017.
- Adjusted profit attributable to owners of the parent⁽¹⁾ for the year ended 31 December 2018 would amount to HK\$90.0 million, representing an increase of 17.4% from HK\$76.7 million as compared to the year ended 31 December 2017.

⁽¹⁾ Adjusted profit for the year attributable to owners of the parent is a non-HKFRS financial measurement which, in the opinion of the Directors, eliminates the effect of a number of non-recurring income, costs and charges and certain of other non-cash charges that affect the reported profit attributable to owners of the parent, including (i) Listing-related expenses; (ii) share-based payment expense relating to the Pre-IPO Share Option Scheme; (iii) consultancy fee incurred for change in the nature of land use rights and formation of development plan of a piece of land in Dongguan; and (iv) interest income earned from the ultimate holding company, and excluding any tax effects related to the preceding judgements.

* 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 2018, together with the comparative figures for the previous financial year as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	1,071,232	954,610
Cost of sales		<u>(738,104)</u>	<u>(664,996)</u>
Gross profit		333,128	289,614
Other income and gains, net	4	2,969	3,998
Selling and distribution expenses		(120,265)	(112,245)
Administrative expenses		(100,149)	(109,743)
Other expenses, net		(11,998)	(3,325)
Finance cost	5	<u>(6,005)</u>	<u>(4,126)</u>
PROFIT BEFORE TAX	6	97,680	64,173
Income tax expense	7	<u>(20,200)</u>	<u>(15,799)</u>
PROFIT FOR THE YEAR		<u>77,480</u>	<u>48,374</u>
Attributable to:			
Owners of the parent		75,784	46,095
Non-controlling interests		<u>1,696</u>	<u>2,279</u>
		<u>77,480</u>	<u>48,374</u>
		HK cents	HK cents
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT	9		
Basic		10.71	7.46
Diluted		<u>10.68</u>	<u>7.46</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>77,480</u>	<u>48,374</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(9,953)</u>	<u>11,526</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>67,527</u></u>	<u><u>59,900</u></u>
Attributable to:		
Owners of the parent	65,831	57,621
Non-controlling interests	<u>1,696</u>	<u>2,279</u>
	<u><u>67,527</u></u>	<u><u>59,900</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*31 December 2018*

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		102,683	108,021
Prepaid land lease payments		10,920	11,931
Goodwill		15,447	15,447
Intangible assets		2,873	5,020
Deposits paid for purchases of items of property, plant and equipment		3,602	2,760
Prepayments, deposits and other receivables		3,819	3,616
Deferred tax assets		2,783	678
Total non-current assets		142,127	147,473
CURRENT ASSETS			
Inventories		205,795	195,370
Trade receivables	10	163,848	170,353
Prepaid land lease payments		393	415
Prepayments, deposits and other receivables		19,577	19,885
Tax recoverable		1,117	2,352
Cash and cash equivalents		328,684	45,613
Total current assets		719,414	433,988
CURRENT LIABILITIES			
Trade and bills payables	11	91,240	91,624
Accruals and other payables		49,904	59,187
Interest-bearing bank borrowings		139,003	138,800
Tax payable		4,079	2,349
Total current liabilities		284,226	291,960
NET CURRENT ASSETS		435,188	142,028
TOTAL ASSETS LESS CURRENT LIABILITIES		577,315	289,501

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		17,217	52,759
Deferred tax liabilities		5,771	4,682
		<hr/>	<hr/>
Total non-current liabilities		22,988	57,441
		<hr/>	<hr/>
Net assets		554,327	232,060
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	12	76,207	61,775
Reserves		460,301	152,394
		<hr/>	<hr/>
Non-controlling interests		536,508	214,169
		17,819	17,891
		<hr/>	<hr/>
Total equity		554,327	232,060
		<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, 11/F, Block 1, Kwai Tak Industrial Centre, 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong. In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Hero Valour Limited, which is incorporated in the British Virgin Islands (“**BVI**”).

The Company is an investment holding company. The shares of the Company (the “**Share(s)**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 May 2018 (the “**Listing Date**”). During the year, the Company’s subsidiaries were engaged in the following principal activities:

- processing and sales of coffee, tea and related complementary products
- sale of frozen meat and frozen processed food
- sale and rental of coffee and tea machines
- food and beverage store operations

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**”) and accounting principles generally accepted in Hong Kong.

The financial statements have been prepared under the historical cost convention. 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.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014–2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's results of operation and financial position, except for HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* as described below.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018 and has not restated comparative information. Therefore, the comparative information for the corresponding period in 2017 which was reported under HKAS 39 *Financial Instruments: Recognition and Measurement* is not comparable to the information presented for the year ended 31 December 2018. The adoption of HKFRS 9 has no significant impact on the classification and measurement of its financial assets. The impact arising from the adoption of HKFRS 9 relates to the impairment requirements.

HKFRS 9 requires an impairment on debt instruments not held at fair value through profit or loss to be recorded based on an expected credit loss ("ECL") model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses that are estimated based trade receivables both on a specific and collective basis based on management's assessment of the recoverability of an individual receivable. The effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECL") has been recognised directly in retained profits as of 1 January 2018 and the affected financial statement items are disclosed below:

Consolidated statement of financial position	Impairment allowances under HKAS 39 at 31 December 2017 <i>HK\$'000</i>	Remeasurement <i>HK\$'000</i>	ECL allowances under HKFRS 9 at 1 January 2018 <i>HK\$'000</i>
Assets			
Trade receivables	<u>170,353</u>	<u>1,508</u>	<u>171,861</u>
Equity			
Reserves	<u>152,394</u>	<u>1,508</u>	<u>153,902</u>

The reconciliation of the ending impairment allowances in accordance with HKAS 39 to the opening balance of loss allowances determined in accordance with HKFRS 9 is set out in note to the financial statements in the annual report.

HKFRS 15 *Revenue from Contracts with Customers* and Amendments to HKFRS 15

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements,

including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes to the financial statements the annual report. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note to the financial statements in the annual report.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018. The impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

Sale of coffee and tea products with rental of machines

The Group provides rental of machines for the sale of coffee and tea products. If customers' purchases of coffee and tea products reach the agreed minimum amount, the rental charge of machines for that month will be waived. Such pricing arrangements are settled monthly or quarterly and the rental of machines is bundled together with the sale of coffee and tea products.

The Group has assessed that the rental of coffee and tea machines bundled together with the sale of coffee and tea products is distinct and is considered as a separate performance obligation in accordance with HKFRS 15. The Group performed an allocation of transaction price based on the relative standalone selling prices of the coffee and tea products and rental of coffee and tea machines. Accordingly, upon adoption of HKFRS 15, the sale of goods for the year ended 31 December 2018 decreased with a corresponding increase in the rental income from the leasing of coffee and tea machines as shown below:

Year ended 31 December 2018	Amounts prepared under HKAS 18 HK\$'000	Adjustment upon adoption of HKFRS 15 HK\$'000	Amounts prepared under HKFRS 15 HK\$'000
Sales of coffee, tea and related complementary products	806,262	(19,724)	786,538
Sales of frozen meat and frozen processed food	262,498	—	262,498
Food and beverage store operations	251	—	251
Rental income from leasing of coffee and tea machines	2,221	19,724	21,945
	<u>1,071,232</u>	<u>—</u>	<u>1,071,232</u>

Classification of deposits received from customers

Prior to the adoption of HKFRS 15, the Group presented sales deposits received from customers as deposits received included in other payables and accruals in the consolidated statement of financial position. Upon adoption of HKFRS 15, reclassification has been made from deposits received to contract liabilities, which is also included in other payables and accruals in the consolidated statement of financial position.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	Definition of a Business ⁵
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

⁵ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3. OPERATING SEGMENT INFORMATION

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

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

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

Segment assets exclude cash and cash equivalents, balances with related parties, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings other than trust receipt loans, 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.

Year ended 31 December 2018

	Beverage Solutions <i>HK\$'000</i>	Food Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
Sales to external customers	<u>808,734</u>	<u>262,498</u>	<u>1,071,232</u>
Segment results	121,141	9,446	130,587
<i>Reconciliation:</i>			
Interest income			2,858
Corporate and unallocated expenses, net			(29,760)
Finance costs			<u>(6,005)</u>
Profit before tax			<u>97,680</u>
Segment assets	406,006	127,018	533,024
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(547)
Corporate and unallocated assets			<u>329,064</u>
Total assets			<u>861,541</u>
Segment liabilities	170,629	60,968	231,597
<i>Reconciliation:</i>			
Elimination of intersegment payables			(547)
Corporate and unallocated liabilities			<u>76,164</u>
Total liabilities			<u>307,214</u>
Other segment information:			
Depreciation and amortisation	24,861	175	25,036
Impairment of trade receivables	7,475	24	7,499
Reversal of impairment of trade receivables	(10)	(93)	(103)
Write-off of trade receivables	484	211	695
Write-down of inventories to net realisable value	848	429	1,277
Write-off of inventories	736	440	1,176
Capital expenditure*	<u>21,976</u>	<u>852</u>	<u>22,828</u>

* The capital expenditure includes purchases of property, plant and equipment of HK\$20,551,000 and deposits for purchases of property, plant and equipment of HK\$2,277,000.

Year ended 31 December 2017

	Beverage Solutions <i>HK\$'000</i>	Food Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
Sales to external customers	<u>711,349</u>	<u>243,261</u>	<u>954,610</u>
Segment results	94,378	10,650	105,028
<i>Reconciliation:</i>			
Interest income			484
Corporate and unallocated expenses, net			(37,213)
Finance costs			<u>(4,126)</u>
Profit before tax			<u>64,173</u>
Segment assets	408,230	127,146	535,376
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(5,210)
Corporate and unallocated assets			<u>51,295</u>
Total assets			<u>581,461</u>
Segment liabilities	168,200	67,573	235,773
<i>Reconciliation:</i>			
Elimination of intersegment payables			(5,210)
Corporate and unallocated liabilities			<u>118,838</u>
Total liabilities			<u>349,401</u>
Other segment information:			
Depreciation and amortisation	24,909	30	24,939
Impairment of trade receivables	1,157	32	1,189
Reversal of impairment of trade receivables	(11)	(6)	(17)
Write-off of trade receivables	348	—	348
Write-down of inventories to net realisable value	628	676	1,304
Write-off of inventories	501	—	501
Capital expenditure*	<u>16,633</u>	<u>13</u>	<u>16,646</u>

* The capital expenditure includes purchases of property, plant and equipment of HK\$15,428,000 and deposits for purchases of property, plant and equipment of HK\$1,218,000.

Geographical information

(a) Revenue from external customers

	2018 HK\$'000	2017 HK\$'000
Hong Kong	739,191	697,353
Mainland China	313,985	238,905
Macau	11,896	11,153
Others	6,160	7,199
	<u>1,071,232</u>	<u>954,610</u>

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

(b) Non-current assets

	2018 HK\$'000	2017 HK\$'000
Hong Kong	62,144	62,565
Mainland China	76,265	84,230
	<u>138,409</u>	<u>146,795</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 generated from sales to an external customer of HK\$234,823,000 (2017: HK\$122,596,000), which is over 10% of the total revenue.

4. REVENUE AND OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2018 HK\$'000	2017* HK\$'000
Sales of goods	1,049,036	951,522
Rental income	21,945	2,729
Food and beverage store operations	251	359
	<u>1,071,232</u>	<u>954,610</u>

* The revenue information for the year ended 31 December 2017 was prepared under HKAS 18 *Revenue* and is not comparable with the revenue information for the year ended 31 December 2018. The sales of goods for the year ended 31 December 2017 included revenue from bundled sales of coffee and tea products and rental of coffee and tea machines. If the Group had applied HKFRS 15 beginning from 1 January 2017, sales of goods for the year ended 31 December 2017 would have decreased by HK\$17,820,000 with the corresponding increase in rental income by the same amount.

Revenue from contracts with customers

Disaggregated revenue information

	Beverage Solutions <i>HK\$'000</i>	Food Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2018			
Type of goods or service			
Sales of coffee, tea and other related complementary products	786,538	—	786,538
Sales of frozen meat and frozen processed food	—	262,498	262,498
Rental income from leasing of coffee and tea machines	21,945	—	21,945
Food and beverage store operations	251	—	251
	<u>808,734</u>	<u>262,498</u>	<u>1,071,232</u>
Total revenue from contracts with customers	<u>808,734</u>	<u>262,498</u>	<u>1,071,232</u>
Geographical markets			
Hong Kong	481,030	258,161	739,191
Mainland China	309,648	4,337	313,985
Macau	11,896	—	11,896
Others	6,160	—	6,160
	<u>808,734</u>	<u>262,498</u>	<u>1,071,232</u>
Total revenue from contracts with customers	<u>808,734</u>	<u>262,498</u>	<u>1,071,232</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Other income, net		
Bank interest income	2,858	60
Interest income earned from the ultimate holding company	—	419
Interest income from financial investment at fair value through profit or loss	—	5
Others	111	751
	<u>2,969</u>	<u>1,235</u>
Gains, net		
Gain on disposal of items of property, plant and equipment, net	—	1,853
Foreign exchange differences, net	—	910
	<u>—</u>	<u>2,763</u>
	<u>2,969</u>	<u>3,998</u>

5. FINANCE COST

An analysis of finance cost is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank borrowings	<u>6,005</u>	<u>4,126</u>

6. PROFIT BEFORE TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Listing-related expenses	6,791	24,974
Depreciation	22,511	22,426
Amortisation of intangible assets	2,116	2,113
Amortisation of prepaid land lease payments	409	400
Minimum lease payments under operating leases	11,756	10,976
Foreign exchange differences, net*	970	(910)
Reversal of impairment of trade receivables*	(103)	(17)
Impairment of trade receivables*	7,499	1,189
Write-off of trade receivables*	695	348
Loss/(gain) on disposal of items of property, plant and equipment*	484	(1,853)
Write-down of inventories to net realisable value*	1,277	1,304
Write-off of inventories*	<u>1,176</u>	<u>501</u>

* 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% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2017: 25%).

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	11,715	12,599
Overprovision in prior years	(80)	(38)
Current — Mainland China		
Charge for the year	9,590	3,980
Underprovision/(overprovision) in prior years	21	(59)
Deferred	(1,046)	(683)
Total tax charge for the year	20,200	15,799

8. DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2017 interim dividend — HK35.08 cents per ordinary share	—	86,645
2017 special dividend — HK14.70 cents per ordinary share	—	36,300
2017 final dividend — HK1.62 cents per ordinary share	10,000	—
2018 interim dividend — HK1.31 cents per ordinary share	8,093	—
	18,093	122,945
Dividend proposed after the end of the reporting period:		
Proposed final dividend — HK5.78 cents (2017: HK1.62 cents) per ordinary share	44,054	10,000

The proposed final dividend for the year ended 31 December 2018 has been calculated by reference to 762,184,512 shares in issue at 5 March 2019 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 is based on the profit attributable to ordinary equity holders of the parent of HK\$75,784,000 for the year ended 31 December 2018 and the weighted average number of ordinary shares of 707,571,000 in issue during the year. The calculation of the basic earnings per share amount for the year ended 31 December 2017 was based on the profit attributable to ordinary equity holders of the parent of HK\$46,095,000 and the weighted average number of ordinary shares of 617,604,000 in issue and issuable during that year as adjusted retrospectively to reflect a share split of the Company on 4 September 2017. In determining the weighted average number of ordinary shares in issue, the share split of the Company during the year ended 31 December 2017 was deemed to have been completed on 1 January 2017.

The calculation of the diluted earnings per share amount for the year ended 31 December 2018 is based on the profit for the year attributable to ordinary equity holders of the parent and the total of (i) the weighted average number of ordinary shares of 707,571,000, as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares of 1,737,000 assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

During the year ended 31 December 2017, diluted earnings per share equaled the basic earnings per share as there were no potentially dilutive ordinary shares in issue for the year.

10. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	173,660	174,571
Impairment	<u>(9,812)</u>	<u>(4,218)</u>
	<u>163,848</u>	<u>170,353</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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	104,818	101,908
31 to 60 days	39,125	40,149
61 to 90 days	11,414	15,058
91 to 120 days	6,570	7,282
121 to 180 days	1,012	4,227
181 to 360 days	880	1,649
Over 360 days	29	80
	<u>163,848</u>	<u>170,353</u>

11. TRADE AND BILLS PAYABLES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 1 month	89,118	85,996
1 to 2 months	1,050	3,593
2 to 3 months	62	420
Over 3 months	1,010	1,615
	<u>91,240</u>	<u>91,624</u>

The trade payables are non-interest-bearing and are normally settled within 30 to 60 days. The bills payable have a maturity period of 120 days.

12. SHARE CAPITAL

	2018 <i>HK\$'000</i>	2017 <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:		
762,071,112 (31 December 2017: 617,750,000) ordinary shares of HK\$0.10 each	<u>76,207</u>	<u>61,775</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 2017			
— ordinary shares of HK\$0.25 each		400,000,000	100,000
Share split	(b)	600,000,000	—
Increase in authorised share capital	(c)	<u>1,000,000,000</u>	<u>100,000</u>
At 31 December 2017, at 1 January 2018 and at 31 December 2018 — ordinary shares of HK\$0.10 each		<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:			
At 1 January 2017 — ordinary share of HK\$0.25 each		247,013,281	61,753
Issue of new ordinary shares of HK\$0.25 each	(a)	86,719	22
Share split	(b)	<u>370,650,000</u>	<u>—</u>
At 31 December 2017 and 1 January 2018 — ordinary shares of HK\$0.10 each		617,750,000	61,775
Issue of shares under initial public offering	(d)	142,109,312	14,211
Issue of shares upon exercise of share options	(e)	<u>2,211,800</u>	<u>221</u>
At 31 December 2018 — ordinary shares of HK\$0.10 each		<u>762,071,112</u>	<u>76,207</u>

Notes:

- (a) On 4 September 2017, 86,719 ordinary shares of par value HK\$0.25 each were allotted and issued to the then sole shareholder for a cash consideration of HK\$21,680, thereby increasing the issued ordinary shares of the Company from 247,013,281 shares to 247,100,000 shares of par value HK\$0.25 each.
- (b) Pursuant to a written resolution of the then sole shareholder dated 4 September 2017, every two issued and unissued ordinary shares of par value HK\$0.25 each of the Company were subdivided into five ordinary shares of par value HK\$0.10 each.
- (c) Pursuant to a written resolution of the then sole shareholder dated 4 September 2017, the authorised share capital of the Company increased from HK\$100,000,000 divided into 1,000,000,000 shares of par value HK\$0.10 each to HK\$200,000,000 divided into 2,000,000,000 shares of par value HK\$0.10 each, by creation of 1,000,000,000 new shares of par value HK\$0.10 each.

- (d) In connection with the Company's initial public offering, 106,229,312 ordinary shares of par value HK\$0.10 each were issued at a price of HK\$1.98 per share for a total cash consideration, before share issue expenses, of approximately HK\$210,334,000. Dealing in the shares of the Company on the Stock Exchange commenced on the Listing Date.

On 8 June 2018, the Company issued additional 35,880,000 ordinary shares of par value HK\$0.10 each at the price of HK\$1.98 per share for a total cash consideration, before share issue expenses, of approximately HK\$71,042,000 as a result of exercise of over-allotment options by the underwriters.

- (e) During the year, the subscriptions rights attaching to 2,211,800 share options were exercised at the subscriptions price of HK\$0.594 per share, resulting in the issue of 2,211,800 ordinary shares of par value of HK\$0.10 each for a total cash consideration, before expenses, of HK\$1,313,000. An amount of HK\$4,147,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options. Details of the Company's share option schemes and the share options issued under the scheme are included in note to the financial statements in the annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 11 May 2018 (the “**Listing Date**”), the Company’s shares (the “**Share(s)**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing**”).

The Group is a leading integrated B2B coffee and black tea solutions provider in Hong Kong, Macau and Mainland China providing one-stop coffee and tea solutions to commercial customers that cover the entire coffee and tea procurement, processing and distribution value chain, with an expertise on Hong Kong-style milk tea. Other than the B2B coffee and black tea solution business the Group has traditionally focuses on, seeing a potential growth in the food market, it has expanded its business scope and commenced its frozen meat business in Hong Kong and Mainland China in 2013 and frozen processed food in Hong Kong in 2015 and Mainland China in 2016.

For the year ended 31 December 2018, the Group recorded a total revenue of HK\$1,071.2 million, representing an increase of HK\$116.6 million, or 12.2%, compared to the year ended 31 December 2017. The increase in revenue was primarily attributable to the increase in revenue derived from the beverage solutions business, and to a lesser extent, the growth in revenue derived from the food products business. Gross profit increased by HK\$43.5 million, or 15.0%, from HK\$289.6 million for the year ended 31 December 2017 to HK\$333.1 million for the year ended 31 December 2018. Gross profit margin increased from 30.3% for the year ended 31 December 2017 to 31.1% for the year ended 31 December 2018.

Beverage solutions

Revenue from the beverage solutions segment increased by HK\$97.4 million, or 13.7%, from HK\$711.3 million for the year ended 31 December 2017 to HK\$808.7 million for the year ended 31 December 2018. The revenue growth in beverage solutions segment was primarily because of the increase in revenue derived from tea and instant beverage mix products in Mainland China. Gross profit increased by HK\$43.8 million, or 16.6%, from HK\$264.3 million for the year ended 31 December 2017 to HK\$308.1 million for the year ended 31 December 2018, mainly in line with the increment in revenue. Gross profit margin of the beverage solutions business increased from 37.2% for the year ended 31 December 2017 to 38.1% for the year ended 31 December 2018, primarily because of the relatively higher gross profit margin generated from tea and instant beverage mix products.

Food products

Revenue from the food products segment increased by HK\$19.2 million, or 7.9%, from HK\$243.3 million for the year ended 31 December 2017 to HK\$262.5 million for the year ended 31 December 2018. The revenue growth in food products segment was primarily because of the increase in (i) the sales of frozen meat products as a result of pricing

strategy of the Group; and (ii) the sales of frozen processed food products as a result of the expansion of such business in Hong Kong. Gross profit decreased by HK\$0.3 million or 1.1% from HK\$25.3 million for the year ended 31 December 2017 to HK\$25.0 million for the year ended 31 December 2018 and gross profit margin decreased from 10.4% for the year ended 31 December 2017 to 9.5% for the year ended 31 December 2018, primarily due to the increase in procurement cost of frozen meat products.

REVENUE BY GEOGRAPHIC LOCATIONS

Hong Kong

For the year ended 31 December 2018, revenue generated in Hong Kong increased by HK\$41.8 million, or 6.0%, from HK\$697.4 million in the year ended 31 December 2017 to HK\$739.2 million for the year ended 31 December 2018. The growth in revenue generated in Hong Kong was primarily because of increase in sales of coffee, tea and milk product as a result of growth in customers' demand.

Mainland China

For the year ended 31 December 2018, revenue generated in Mainland China increased by HK\$75.1 million, or 31.4%, from HK\$238.9 million in the year ended 31 December 2017 to HK\$314.0 million for the year ended 31 December 2018. The increase in revenue derived from instant beverage mix products in Mainland China was the driving force for the increase in revenue for the year ended 31 December 2018.

Macau

For the year ended 31 December 2018, revenue generated in Macau increased by HK\$0.7 million, or 6.7%, from HK\$11.2 million for the year ended 31 December 2017 to HK\$11.9 million for the year ended 31 December 2018. The growth in revenue generated in Macau was primarily because of increase in sales to a new customer.

Others

In addition, the Group also sells a small portion of our products to Taiwan and other overseas countries including Canada, Australia, Malaysia and Philippines through distributors. For the year ended 31 December 2018, revenue generated in others decreased by HK\$1.0 million, or 14.4%, from HK\$7.2 million in the year ended 31 December 2017 to HK\$6.2 million for the year ended 31 December 2018.

The decrease in revenue was primarily because of decrease in sales in Philippines as one of the customers shifted its purchases to its local affiliates.

BUSINESS PROSPECT

In order to strengthen the Group's position as a leading integrated B2B coffee and black tea solutions provider in Hong Kong, Macau and Mainland China, the Group will endeavour to take more marketing initiatives to capture the growth in the B2B coffee and tea products market in Hong Kong and Mainland China which are expected to rise at a CAGR of 4.2% and 11.0%, respectively (according to the industry report prepared by Frost & Sullivan Limited).

In line with the Group's business strategies, it will further strengthen its ability to provide food and beverage products solutions to its customers by exploring potential businesses of other strategic arrangements with entities which have the product portfolios demanded by customers and distribution network to expand the Group's distribution network.

The Group has taken business initiatives to strengthen its frozen meat and frozen processed food products business and expand its product offerings by entering into a strategic cooperation agreement with NH Foods for the sale of frozen, fresh, precooked processed meat and seafood products and a memorandum of understanding with F&N to explore business and product development opportunities for the supply, distribution, co-branded promotion and co-development of beverage products and/or beverage solutions in July 2017 and April 2018, respectively.

Leveraging on the Group's experience in providing frozen meat and frozen processed food, the Group aims to provide tailor-made frozen meat and processed food products to satisfy the needs of its well-established and diverse customer base in Hong Kong, Macau and Mainland China and enhance its product portfolio. Furthermore, the Group will continue to take on more strategic alliance initiatives and explore business development opportunities with various business partners for the supply, distribution, co-branded promotion and co-development of beverage products and/or beverage solutions. The Board believes that building on the Group's leading market position and well-established distribution network could fully utilize the distribution channels and optimize efficiency. In the forthcoming year, the Group seeks deepen its market penetration, particularly focusing on the Mainland China market which is expected to experience considerable growth, to maintain a high growth rate.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by HK\$116.6 million, or 12.2%, from HK\$954.6 million for the year ended 31 December 2017 to HK\$1,071.2 million for the year ended 31 December 2018. The increase was primarily due to the increase in revenue derived from the beverage solutions business, and to a lesser extent, the growth in revenue derived from the food products business.

Cost of sales

The Group's cost of sales increased by HK\$73.1 million, or 11.0%, from HK\$665.0 million for the year ended 31 December 2017 to HK\$738.1 million for the year ended 31 December 2018. The increase in the cost of sales was primarily a result of (i) the increase in raw material costs for the beverage solutions products, which was in line with the growth in the overall sales volume; and (ii) the increase in procurement prices for frozen meat products.

Gross profit and gross profit margin

The Group's gross profit increased by HK\$43.5 million, or 15.0%, from HK\$289.6 million for the year ended 31 December 2017 to HK\$333.1 million for the year ended 31 December 2018. The Group's gross profit margin increased from 30.3% for the year ended 31 December 2017 to 31.1% for the year ended 31 December 2018.

Other income and gains, net

The Group's other income and gains, net, decreased by HK\$1.0 million from HK\$4.0 million for the year ended 31 December 2017 to HK\$3.0 million for the year ended 31 December 2018. The decrease was primarily a result of (i) decrease in gains on disposal of property, plant and equipment; and (ii) foreign exchange losses due to strengthening of the United States dollar during the year ended 31 December 2018.

Selling and distribution expenses

The Group's selling and distribution expenses increased by HK\$8.0 million, or 7.1%, from HK\$112.2 million for the year ended 31 December 2017 to HK\$120.3 million for the year ended 31 December 2018, primarily due to increase in (i) marketing and promotion expenses; (ii) storage expenses; and (iii) logistics expenses, which were generally in line with the increment in revenue.

Administrative expenses

The Group's administrative expenses decreased by HK\$9.6 million, or 8.7%, from HK\$109.7 million for the year ended 31 December 2017 to HK\$100.1 million for the year ended 31 December 2018. The decrease was primarily a result of decrease in consultancy and professional fee, which was incurred in relation to the Listing, which partially offset with (i) increase in staff costs, which was mainly a result of an increase in the average salary of the Group's employees; and (ii) recognition of share-based payment expense relating to the Pre-IPO Share Option Scheme.

During the year ended 31 December 2018, the Group incurred HK\$6.8 million (year ended 31 December 2017: HK\$25.0 million) in consultancy and professional fee in relation to the Listing.

Other expenses, net

The Group's other expenses, net, increased significantly by HK\$8.7 million from HK\$3.3 million for the year ended 31 December 2017 to HK\$12.0 million for the year ended 31 December 2018. The increase was mainly due to the (i) impairment of trade receivables; (ii) write-off of inventories in relation to phasing out of packaging materials; and (iii) foreign exchange differences, net.

Finance cost

The Group's finance cost increased by HK\$1.9 million, or 45.5%, from HK\$4.1 million for the year ended 31 December 2017 to HK\$6.0 million for the year ended 31 December 2018. The increase was primarily a result of the increase in average interest rate.

Income tax expense

The Group's income tax expense increased by HK\$4.4 million, or 27.9%, from HK\$15.8 million for the year ended 31 December 2017 to HK\$20.2 million for the year ended 31 December 2018, mainly due to the increase in profit before tax. The Group's effective income tax rate decreased from 24.6% for the year ended 31 December 2017 to 20.7% for the year ended 31 December 2018.

Profit for the year and net profit margin

As a result of the foregoing, the Group's profit increased by HK\$29.1 million, or 60.2%, from HK\$48.4 million for the year ended 31 December 2017 to HK\$77.5 million for the year ended 31 December 2018. The Group's net profit margin increased from 5.1% for the year ended 31 December 2017 to 7.2% for the year ended 31 December 2018.

Adjusted profit for the year attributable to owners of the parent

The following table sets out the reconciliation from the Group's profit for the year attributable to owners of the parent to adjusted profit for the year attributable to owners of the parent ^(Note):

	For the year ended	
	31 December	
	2018	2017
	(HK\$'000)	(HK\$'000)
Profit for the year attributable to owners of the parent	75,784	46,095
Plus/(minus):		
Listing-related expenses	6,791	24,974
Share-based payment expense relating to the Pre-IPO Share Option Scheme	7,405	—
Consultancy fee for land use rights and development plan in Dongguan	—	6,007
Interest income earned from the ultimate holding company	—	(419)
	<u>75,784</u>	<u>46,095</u>
Adjusted profit for the year attributable to owners of the parent	<u>89,980</u>	<u>76,657</u>

The Group's adjusted profit attributable to owners of the parent for the year ended 31 December 2018 would amount to HK\$90.0 million, representing an increase of HK\$13.3 million or 17.4%, as compared to HK\$76.7 million for the year ended 31 December 2017.

Note: Adjusted profit for the year attributable to owners of the parent is a non-HKFRS financial measurement which, in the opinion of the Directors, eliminates the effect of a number of non-recurring income, costs and charges and certain of other non-cash charges that affect the reported profit attributable to owners of the parent, including (i) Listing-related expenses; (ii) share-based payment expense relating to the Pre-IPO Share Option Scheme; (iii) consultancy fee incurred for change in the nature of land use rights and formation of development plan of a piece of land in Dongguan; and (iv) interest income earned from the ultimate holding company, and excluding any tax effects related to the preceding judgements.

Capital Expenditure and Commitments

During the year ended 31 December 2018, the Group incurred additions of property, plant and equipment of HK\$21.8 million (year ended 31 December 2017: HK\$16.8 million). A substantial portion of the Group's capital expenditures were incurred in relation to the purchase of coffee machines which were leased to the Group's customers.

As at 31 December 2018, the Group had capital commitment of HK\$0.6 million (31 December 2017: HK\$0.7 million), mainly comprising the related contracts of capital expenditure in production machineries.

Borrowings

As at 31 December 2018, the Group had total interest-bearing bank borrowings of HK\$156.2 million (31 December 2017: HK\$191.6 million).

Contingent Liabilities

Contingent liabilities as at 31 December 2018 will be disclosed in the notes to the financial statements in the annual report.

Gearing Ratio

As at 31 December 2018, on the basis of total interest-bearing bank borrowings divided by equity attributable to owners of the parent, the Group's gearing ratio was 29.1% (31 December 2017: 89.4%). The decrease in gearing ratio was mainly due to (i) settlement of interest-bearing bank borrowings; and (ii) increase in equity attributable to owners of the parent from issue of new Shares by Listing.

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.

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.

Pledge of Assets

As at 31 December 2017, certain of the Group's buildings with a net carrying amount of HK\$3.9 million were pledged to secure general banking facilities granted to the Group and the ultimate holding company. Such pledges were fully released during the year ended 31 December 2018.

HUMAN RESOURCES

As at 31 December 2018, the Group employed 230 and 286 (31 December 2017: 234 and 272) 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 2018, the Group provided various trainings to its employees range 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 were listed on the Main Board of the Stock Exchange on the Listing Date. After the full exercise of the Over-allotment Option (as defined in the Prospectus) and after deducting underwriting commissions and all related expenses, the net proceeds from issuance of the Shares in connection with the Listing (the "Net Proceeds") amounted to HK\$232.6 million. As at the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

The Board closely monitored the use of proceeds from the Listing with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no change in the proposed use of proceeds as previously disclosed in the Prospectus.

During the period from the Listing Date to 31 December 2018, a total of HK\$33.0 million were utilised according to the intended use of Net Proceeds as stated in the Prospectus. For details of the utilisation on each of the intended use of Net Proceeds, please refer to the Company's 2018 annual report.

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 HK5.78 cents per ordinary share in respect of the year ended 31 December 2018 (2017: HK1.62 cents per ordinary share), to shareholders whose names appear on the register of members of the Company on Friday, 26 April 2019. The total payout will amount to HK\$44.1 million (2017: HK\$10.0 million). The proposed dividend will be paid on or around Friday, 17 May 2019, 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, 15 April 2019 to Thursday, 18 April 2019, both days inclusive, during which period no transfer of shares of the Company 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 of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 12 April 2019.

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 Friday, 26 April 2019, 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 of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 25 April 2019.

AUDIT COMMITTEE

The Company has established an audit committee of the Company (the “**Audit Committee**”) on 15 December 2017 with terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the “**CG Code**”). The Audit Committee consists of three independent non-executive Directors, namely Mr. Tang Kwai Chang (Chairman), Mr. Chow Alexander Yue Nong and Mr. Wong Man Fai. 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 Company’s annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made. The Audit Committee of the Company has met the external auditors of the Company, Ernst & Young, and reviewed the consolidated financial statements of the Group for the year ended 31 December 2018.

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

During the period from the Listing Date to 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Thursday, 18 April 2019, for the purpose of, among other things, approving the payment for a final dividend of HK5.78 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 good corporate governance practices and emphasizing 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 during the period from the Listing Date to 31 December 2018, 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 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 that Mr. Wong has been responsible for the overall management of the Group since 1978, the Board considered that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Company’s business strategies and maximizes 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 Company has adopted its own Securities Dealing Code (the “**Code**”) on terms no exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules. In response to the specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the period from the Listing Date to 31 December 2018. No incident of non-compliance in this regard was noted by the Company for the said period.

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 2018 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, 5 March 2019

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Mr. Wong Tat Tong, Mr. Wu Kam On Keith and Ms. Fan Yee Man. The independent non-executive Directors are Mr. Tang Kwai Chang, Mr. Chow Alexander Yue Nong and Mr. Wong Man Fai.