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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 2020**

#### **FINANCIAL HIGHLIGHTS ON CONTINUING OPERATIONS**

- Revenue for the year ended 31 December 2020 amounted to HK\$638.5 million, representing a decrease of 18.7% from HK\$785.0 million as compared to the year ended 31 December 2019.
- Gross profit for the year ended 31 December 2020 amounted to HK\$263.1 million, representing a decrease of 15.1% from HK\$309.8 million as compared to the year ended 31 December 2019.
- Gross profit margin increased from 39.5% for the year ended 31 December 2019 to 41.2% for the year ended 31 December 2020.
- Profit for the year ended 31 December 2020 from continuing operations amounted to HK\$76.8 million, representing a decrease of 14.5% from HK\$89.8 million as compared to the year ended 31 December 2019.
- Net profit margin from continuing operations increased from 11.4% for the year ended 31 December 2019 to 12.0% for the year ended 31 December 2020.

\* *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 2020, together with the comparative figures for the previous financial year as set out below.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>CONTINUING OPERATIONS</b>			
REVENUE	4	<b>638,507</b>	784,998
Cost of sales		<u><b>(375,453)</b></u>	<u>(475,166)</u>
Gross profit		<b>263,054</b>	309,832
Other income and gains, net	4	<b>15,491</b>	5,127
Selling and distribution expenses		<b>(107,223)</b>	(115,863)
Administrative expenses		<b>(74,261)</b>	(79,204)
Other expenses, net		<b>(3,841)</b>	(5,104)
Finance costs	5	<u><b>(1,441)</b></u>	<u>(3,509)</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	<b>91,779</b>	111,279
Income tax expense	7	<u><b>(14,982)</b></u>	<u>(21,466)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<b>76,797</b>	89,813
<b>DISCONTINUED OPERATION</b>			
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	8	<u>—</u>	<u>(12,523)</u>
PROFIT FOR THE YEAR		<u><b>76,797</b></u>	<u>77,290</u>

	<b>2020</b>	2019
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit/(loss) attributable to owners of the parent:		
— from continuing operations	<b>76,797</b>	89,813
— from a discontinued operation	<u>—</u>	<u>(14,335)</u>
Profit for the year attributable to owners of the parent	<u><b>76,797</b></u>	<u>75,478</u>
Profit attributable to non-controlling interests:		
— from a discontinued operation	<u>—</u>	<u>1,812</u>
	<u><b>76,797</b></u>	<u>77,290</u>
	<b><i>HK cents</i></b>	<i>HK cents</i>

**EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

Basic

— For profit for the year

**10.32**

9.89

— For profit for the year from continuing operations

**10.32**

11.77

Diluted

— For profit for the year

**10.31**

9.88

— For profit for the year from continuing operations

**10.31**

11.75

10

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<u>76,797</u>	<u>77,290</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	13,156	(3,505)
Reclassification adjustments for deregistration of subsidiaries	<u>—</u>	<u>1,013</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<u>13,156</u>	<u>(2,492)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>89,953</u></u>	<u><u>74,798</u></u>
Attributable to:		
Owners of the parent	89,953	72,986
Non-controlling interests	<u>—</u>	<u>1,812</u>
	<u><u>89,953</u></u>	<u><u>74,798</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 December 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>143,913</b>	147,405
Intangible assets		<b>330</b>	419
Deposits paid for purchases of items of property, plant and equipment		<b>14,143</b>	10,324
Prepayments, deposits and other receivables		<b>852</b>	5,024
Deferred tax assets		<b>2,782</b>	2,460
Total non-current assets		<b>162,020</b>	165,632
<b>CURRENT ASSETS</b>			
Inventories		<b>117,959</b>	125,748
Trade receivables	12	<b>111,114</b>	118,855
Prepayments, deposits and other receivables		<b>14,808</b>	12,852
Tax recoverable		<b>2,032</b>	205
Cash and cash equivalents		<b>276,807</b>	315,211
Total current assets		<b>522,720</b>	572,871
<b>CURRENT LIABILITIES</b>			
Trade payables	13	<b>51,595</b>	73,567
Accruals and other payables		<b>44,553</b>	50,854
Derivative financial instruments		<b>491</b>	568
Interest-bearing bank borrowings		<b>12,094</b>	26,154
Lease liabilities		<b>8,427</b>	14,966
Tax payable		<b>4,325</b>	3,655
Total current liabilities		<b>121,485</b>	169,764
<b>NET CURRENT ASSETS</b>		<b>401,235</b>	403,107
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>563,255</b>	568,739

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>4,935</b>	12,709
Deferred tax liabilities		<b>5,817</b>	6,295
		<hr/>	<hr/>
Total non-current liabilities		<b>10,752</b>	19,004
		<hr/>	<hr/>
Net assets		<b>552,503</b>	549,735
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	14	<b>72,044</b>	76,394
Reserves		<b>480,459</b>	473,341
		<hr/>	<hr/>
Total equity		<b>552,503</b>	549,735
		<hr/> <hr/>	<hr/> <hr/>

## NOTES:

### 1. CORPORATE AND GROUP INFORMATION

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

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

- processing and sales of coffee, tea and related complementary products
- sale of 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**”), accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance.

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

On 29 November 2019, the Group disposed of its frozen meat business in Hong Kong which represented a major line of the Group’s business in the food products segment in Hong Kong. Accordingly, this disposed frozen meat business was regarded as a discontinued operation of the Group in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (“**HKFRS 5**”) during the year ended 31 December 2019. Further details of the transactions are set out in note 8 below.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Except for the amendments included in Amendments to HKFRS 9, HKAS 39 and HKFRS 7, which are not relevant to the preparation of the Group's consolidated financial statements, the nature and impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office premises and warehouse have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$619,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.



- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of 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 machines and other related products, operates food and beverage store and leases coffee and tea machines; and
- (b) the food products (“**Food Products**”) segment trades frozen processed food.

On 29 November 2019, the Group disposed of its frozen meat business in Hong Kong. Since the frozen meat business represented a major line of Food Products segment of the Group’s business in Hong Kong, the frozen meat business was regarded as a discontinued operation in accordance with HKFRS 5. Accordingly, the related comparative financial information of the frozen meat business was not included in the operating segment information from the continuing operations. Further details of the discontinued operation are set out in note 8.

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 from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group’s profit before tax from continuing operations except that interest income, fair value changes on derivative financial instruments, head office and corporate expenses as well as non-lease-related finance costs are excluded from such measurement.

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

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

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

	<b>Beverage Solutions HK\$'000</b>	<b>Food Products HK\$'000</b>	<b>Total HK\$'000</b>
<b>Year ended 31 December 2020</b>			
<b>Segment revenue (note 4)</b>			
Sales to external customers	<u>623,261</u>	<u>15,246</u>	<u>638,507</u>
<b>Segment results</b>	<b>102,317</b>	<b>1,805</b>	<b>104,122</b>
<i>Reconciliation:</i>			
Interest income			3,685
Corporate and unallocated expenses, net			(15,585)
Finance costs (other than interest on lease liabilities)			<u>(443)</u>
Profit before tax from continuing operations			<u>91,779</u>
<b>Other segment information:</b>			
Depreciation and amortisation	38,856	69	38,925
Reversal of impairment of trade receivables	(614)	—	(614)
Impairment of trade receivables	785	50	835
Write-off of trade receivables	1,286	—	1,286
Write-down of inventories to net realisable value	748	8	756
Write-off of inventories	721	58	779
Loss on disposal of items of property, plant and equipment	81	—	81
Capital expenditure*	<u>33,579</u>	<u>695</u>	<u>34,274</u>
* The capital expenditure includes purchases of other items of property, plant and equipment and right-of-use assets of HK\$19,545,000 and HK\$6,307,000, respectively, and deposits for purchases of other items of property, plant and equipment of HK\$8,422,000 incurred during the year.			
<b>As at 31 December 2020</b>			
<b>Segment assets</b>	<b>400,085</b>	<b>7,560</b>	<b>407,645</b>
<i>Reconciliation:</i>			
Corporate and unallocated assets			<u>277,095</u>
Total assets			<u>684,740</u>
<b>Segment liabilities</b>	<b>128,338</b>	<b>761</b>	<b>129,099</b>
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			<u>3,138</u>
Total liabilities			<u>132,237</u>

	Beverage Solutions <i>HK\$'000</i>	Food Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2019			
<b>Segment revenue</b> (note 4)			
Sales to external customers	765,612	19,386	784,998
	<u>765,612</u>	<u>19,386</u>	<u>784,998</u>
<b>Segment results</b>	126,145	1,973	128,118
<i>Reconciliation:</i>			
Interest income			5,094
Corporate and unallocated expenses, net			(19,395)
Finance costs (other than interest on lease liabilities)			(2,538)
			<u>(2,538)</u>
Profit before tax from continuing operations			<u>111,279</u>
<b>Other segment information:</b>			
Depreciation and amortisation	33,164	—	33,164
Reversal of impairment of trade receivables	(351)	—	(351)
Impairment of trade receivables	775	69	844
Write-off of trade receivables	230	—	230
Write-down of inventories to net realisable value	851	102	953
Write-off of inventories	628	404	1,032
Loss on disposal of items of property, plant and equipment	91	—	91
Capital expenditure*	37,445	—	37,445
	<u>37,445</u>	<u>—</u>	<u>37,445</u>
* The capital expenditure includes purchases of property, plant and equipment of HK\$28,865,000 and deposits for purchases of property, plant and equipment of HK\$8,580,000 incurred for continuing operations.			
As at 31 December 2019			
<b>Segment assets</b>	390,144	30,875	421,019
<i>Reconciliation:</i>			
Corporate and unallocated assets			317,484
			<u>317,484</u>
Total assets			<u>738,503</u>
<b>Segment liabilities</b>	182,413	1,134	183,547
<i>Reconciliation:</i>			
Corporate and unallocated liabilities			5,221
			<u>5,221</u>
Total liabilities			<u>188,768</u>

## Geographical information

### (a) Revenue from external customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	418,663	498,965
Mainland China	209,876	267,032
Others	9,968	19,001
	<u>638,507</u>	<u>784,998</u>

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

### (b) Non-current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	69,807	82,909
Mainland China	88,579	78,027
	<u>158,386</u>	<u>160,936</u>

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

## Information about a major customer

During the year, the Group's revenue from sales to an external customer from continuing operations, which is over 10% of the total revenue, amounted to HK\$163,449,000 (2019: HK\$199,639,000).

#### 4. REVENUE, OTHER INCOME AND GAINS, NET

##### Revenue

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

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

	Beverage Solutions <i>HK\$'000</i>	Food Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2019			
<b>Types of goods or services</b>			
Sales of coffee, tea and other related complementary products	739,895	—	739,895
Sales of frozen processed food	—	19,386	19,386
Rental income from leasing of coffee and tea machines	25,553	—	25,553
Food and beverage store operations	164	—	164
	<u>765,612</u>	<u>19,386</u>	<u>784,998</u>
Total revenue from contracts with customers	<u>765,612</u>	<u>19,386</u>	<u>784,998</u>
<b>Geographical markets</b>			
Hong Kong	480,928	18,037	498,965
Mainland China	265,683	1,349	267,032
Others	19,001	—	19,001
	<u>765,612</u>	<u>19,386</u>	<u>784,998</u>
Total revenue from contracts with customers	<u>765,612</u>	<u>19,386</u>	<u>784,998</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	740,059	19,386	759,445
Services transferred over time	25,553	—	25,553
	<u>765,612</u>	<u>19,386</u>	<u>784,998</u>
Total revenue from contracts with customers	<u>765,612</u>	<u>19,386</u>	<u>784,998</u>

#### **Other income and gains, net**

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	3,685	5,094
Government subsidies*	10,786	—
COVID-19-related rent concessions from lessors	619	—
Foreign exchange difference, net	62	—
Others	339	33
	<u>15,491</u>	<u>5,127</u>

\* Government subsidies mainly represent subsidies received in connection with the support from the Anti-epidemic Fund 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 from continuing operations is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank borrowings	443	2,538
Interest on lease liabilities	998	971
	<u>1,441</u>	<u>3,509</u>

## 6. PROFIT BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation:		
Right-of-use assets	15,031	11,328
Other items of property, plant and equipment	23,784	21,725
	<u>38,815</u>	<u>33,053</u>
Amortisation of intangible assets	110	111
Lease payments not included in the measurement of lease liabilities	1,191	3,830
Foreign exchange differences, net*	(62)	719
Reversal of impairment of trade receivables*	(614)	(351)
Impairment of trade receivables*	835	844
Write-off of trade receivables*	1,286	230
Write-down of inventories to net realisable value*	756	953
Write-off of inventories*	779	1,032
Loss on disposal of items of property, plant and equipment*	81	91
Loss on change in fair value of derivative financial instruments*	718	573
Loss on deregistration of subsidiaries*	—	1,013
	<u>—</u>	<u>—</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% (2019: 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 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%). Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2019: 25%).

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	9,278	11,675
Overprovision in prior years	(66)	(205)
Current — Mainland China		
Charge for the year	6,476	9,193
Underprovision/(overprovision) in prior years	72	(502)
Deferred	(778)	1,305
	<hr/>	<hr/>
Total tax charge for the year from continuing operations	14,982	21,466
Total tax charge for the year from a discontinued operation	—	703
	<hr/>	<hr/>
	<b>14,982</b>	<b>22,169</b>
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## 8. DISCONTINUED OPERATION

On 29 November 2019 (the “**Date of Disposal**”), the Group disposed of its 60% equity interest in Whole Sun Limited to its non-controlling shareholder of Whole Sun Limited for a consideration of HK\$27,840,000. Whole Sun Limited is engaged in trading of frozen meat in Hong Kong and the frozen meat business represented a major line of the Group’s business. Following the completion of the transaction, the disposed business (the “**Disposed Frozen Food Business**”) was not included in the Food Products segment for operating segment information and was regarded as a discontinued operation. The disposal is a part of the Group’s strategic plan to redirect its resource to fit its business plan.



The result of the Disposed Frozen Food Business for the year ended 31 December 2019 (up to Date of Disposal) is presented below:

	2019 <i>HK\$'000</i>
Revenue	225,727
Cost of sales	<u>(207,537)</u>
Gross profit	18,190
Other income, net	42
Selling and distribution expenses	(3,261)
Administrative expenses	(8,527)
Other expenses, net	(168)
Finance costs	<u>(1,043)</u>
Profit from the discontinued operation	5,233
Loss on disposal of the discontinued operation	<u>(17,053)</u>
Loss before tax from the discontinued operation	(11,820)
Income tax expense	<u>(703)</u>
Loss for the year from the discontinued operation	<u><u>(12,523)</u></u>
Attributable to:	
Owners of the parent	(14,335)
Non-controlling interests	<u>1,812</u>
	<u><u>(12,523)</u></u>

## 9. DIVIDENDS

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

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Dividends recognised as distribution during the reporting period:		
2018 final dividend — HK5.78 cents per ordinary share	—	44,066
2019 interim dividend — HK2.52 cents per ordinary share	—	19,245
2019 final dividend — HK3.33 cents per ordinary share	<b>24,916</b>	—
2020 interim dividend — HK1.58 cents per ordinary share	<b>11,537</b>	—
	<u>36,453</u>	<u>63,311</u>
Dividend proposed after the end of the reporting period:		
Proposed final dividend — HK4.00 cents (2019: HK3.33 cents) per ordinary share	<b>28,824</b>	24,916

The proposed final dividend for the year ended 31 December 2020 has been calculated by reference to 720,591,512 shares in issue on 4 March 2021 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 10. 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 2020 is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 744,055,000 (2019: 762,931,000) in issue during the year.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Earnings</b>		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	76,797	89,813
From a discontinued operation	<u>—</u>	<u>(14,335)</u>
	<u>76,797</u>	<u>75,478</u>
	<i>'000</i>	<i>'000</i>
<b>Shares</b>		
Weighted average number of ordinary shares in issue and issuable during the year, used in the basic earnings per share calculation	744,055	762,931
Effect of dilution — weighted average number of ordinary shares:		
Share options	<u>981</u>	<u>1,371</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>745,036</u>	<u>764,302</u>

## 11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2020, the Group acquired property, plant and equipment and right-of-use assets of HK\$24,071,000 (2019: HK\$30,663,000) and HK\$6,954,000 (2019: Nil), respectively, and recognised right-of-use assets of HK\$121,000 (2019: HK\$20,637,000).

## 12. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	119,895	126,940
Impairment	<u>(8,781)</u>	<u>(8,085)</u>
	<u><b>111,114</b></u>	<u><b>118,855</b></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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	63,893	63,637
31 to 60 days	30,455	36,861
61 to 90 days	9,517	10,556
91 to 120 days	5,741	3,970
121 to 180 days	535	1,261
Over 180 days	<u>973</u>	<u>2,570</u>
	<u><b>111,114</b></u>	<u><b>118,855</b></u>

### 13. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	50,134	70,653
1 to 2 months	275	2,010
2 to 3 months	498	3
Over 3 months	688	901
	<u>51,595</u>	<u>73,567</u>

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

### 14. SHARE CAPITAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Authorised:</b>		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
<b>Issued and fully paid:</b>		
720,444,312 (2019: 763,937,312) ordinary shares of HK\$0.10 each	<u>72,044</u>	<u>76,394</u>

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

	<i>Notes</i>	<b>Number of shares</b>	<b>Share capital <i>HK\$'000</i></b>
<b>Authorised:</b>			
At 1 January 2019, at 31 December 2019, at 1 January 2020 and at 31 December 2020		<u>2,000,000,000</u>	<u>200,000</u>
<b>Issued and fully paid:</b>			
At 1 January 2019		762,071,112	76,207
Issue of shares upon exercise of share options	(a)	<u>1,866,200</u>	<u>187</u>
At 31 December 2019 and at 1 January 2020		763,937,312	76,394
Issue of shares upon exercise of share options	(a)	3,107,000	310
Repurchase and cancellation of shares	(b)	<u>(46,600,000)</u>	<u>(4,660)</u>
At 31 December 2020		<u>720,444,312</u>	<u>72,044</u>

*Notes:*

- (a) During the year ended 31 December 2020, the subscriptions right attaching to 3,107,000 (2019: 1,866,200) share options were exercised at the subscription price of HK\$0.594 per share, resulting in the issue of 3,107,000 (2019: 1,866,200) ordinary shares of par value of HK\$0.10 each ("Shares") for a total cash consideration, before expenses, of HK\$1,845,000 (2019: HK\$1,109,000). An amount of HK\$4,107,000 (2019: HK\$3,440,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (b) During the year ended 31 December 2020, the Company repurchased 46,600,000 Shares on the Hong Kong Stock Exchange for a total consideration (before expenses) of HK\$52,924,000, which were cancelled during the year. The issued share capital of the Company was reduced by the par value of the repurchased Shares so cancelled. The premium and transaction costs paid on the repurchase of the Shares of HK\$48,264,000 and HK\$246,000, respectively, were charged to the share premium account.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Notwithstanding the tough business environment for the year ended 31 December 2020, the Group has achieved approximately 80% of the sales in 2019 (both in Hong Kong and PRC). Given the unprecedented market conditions that the Group has been facing, the performance was indeed fairly acceptable. Other than focusing on its traditional business-to-business (B2B) sales, the Group has actively branched out its business-to-customer (B2C) sales through various offline and online platforms. Further, the Group has continued to broaden its products portfolio. It has launched a “Hong Kong-style” softdrinks — Salty Lemon Soda in the market. The Group will keep on to modifying its sales channels and developing new products so as to expand its clientele base.

Other than the beverages products, the Group’s sale of frozen processed food is mainly leveraging on its beverage solutions client network. The business plan of its meat processing line in Hong Kong was interrupted by the downturn of the market and being optimistic of year 2021, the plan has been resumed. With the self-supporting meat cutting and slicing facilities, the Group would be able to better serve the needs of different customers.

For the year ended 31 December 2020, the Group recorded a total revenue from continuing operations of HK\$638.5 million, representing a decrease of HK\$146.5 million, or 18.7%, compared to the year ended 31 December 2019. The decrease in revenue was primarily attributable to the decrease in revenue derived from beverage solutions business, and to a lesser extent, the decrease in revenue derived from the food products business. Gross profit from continuing operations for the year ended 31 December 2020 amounted to HK\$263.1 million, representing a decrease of HK\$46.7 million, or 15.1%, compared to the year ended 31 December 2019. Gross profit margin increased from 39.5% for the year ended 31 December 2019 to 41.2% for the year ended 31 December 2020.

#### Beverage Solutions

Revenue from the beverage solutions segment decreased by HK\$142.3 million, or 18.6%, from HK\$765.6 million for the year ended 31 December 2019 to HK\$623.3 million for the year ended 31 December 2020. The decrease was primarily due to the decrease in revenue derived from Hong Kong due to the outbreak of COVID-19 since January 2020. Gross profit decreased by HK\$45.6 million, or 15.0%, from HK\$305.0 million for the year ended 31 December 2019 to HK\$259.4 million for the year ended 31 December 2020, mainly in line with the decrease in revenue. Gross profit margin of the beverage solutions business increased from 39.8% for the year ended 31 December 2019 to 41.6% for the year ended 31 December 2020, primarily because of the relatively higher gross profit margin generated from tea products.

## **Food products**

Revenue from the food products segment decreased by HK\$4.2 million, or 21.6%, from HK\$19.4 million for the year ended 31 December 2019 to HK\$15.2 million for the year ended 31 December 2020. The decrease was primarily because of the decrease in revenue derived from Hong Kong. Gross profit decreased by HK\$1.1 million or 22.4% from HK\$4.9 million for the year ended 31 December 2019 to HK\$3.8 million for the year ended 31 December 2020 and gross profit margin decreased from 25.2% for the year ended 31 December 2019 to 25.0% for the year ended 31 December 2020.

## **REVENUE BY GEOGRAPHIC LOCATIONS**

### **Hong Kong**

For the year ended 31 December 2020, revenue generated in Hong Kong decreased by HK\$80.3 million, or 16.1%, from HK\$499.0 million in the year ended 31 December 2019 to HK\$418.7 million for the year ended 31 December 2020. The decrease in revenue generated in Hong Kong was primarily because of decrease in sales of coffee, tea and milk products as a result of decrease in customers' demand.

### **Mainland China**

For the year ended 31 December 2020, revenue generated in Mainland China decreased by HK\$57.1 million, or 21.4%, from HK\$267.0 million for the year ended 31 December 2019 to HK\$209.9 million for the year ended 31 December 2020. The decrease in revenue was primarily due to the decrease in sales volume of instant beverage mix products.

### **Others**

In addition, the Group also sells a small portion of our products to Macau and other overseas regions including Australia, Canada, Malaysia, Philippines, Singapore and Taiwan through distributors. For the year ended 31 December 2020, revenue generated in others decreased by HK\$9.0 million, or 47.4%, from HK\$19.0 million for the year ended 31 December 2019 to HK\$10.0 million for the year ended 31 December 2020. The decrease in revenue was primarily as a result of the outbreak of COVID-19, which has reverberated across the global economy.

## **BUSINESS PROSPECT**

Other than focusing on the Group's core business as an integrated B2B coffee and black tea solutions provider in Hong Kong, Macau and Mainland China, it will continue to strengthen its market penetration of the food products and the meat processing line is expected to be launched by the second half of 2021. Going forward, the Group targets to cater the needs of its omnichannel customers by itself, instead of relying on the processing support of its meat suppliers.



Seeing the great potential in the Greater Bay Area, the Group will focus on its development in four main areas, namely, (i) Zhuhai and Zhongshan; (ii) Guangzhou; (iii) Shenzhen; and (iv) Dongguan. These four areas are showing the highest gross domestic profit and consumption power in the Greater Bay Area. The Group believes that by taking root and enhancing its presence in these areas would entail more opportunities, and thus higher revenue in the future.

The outbreak of COVID-19 has accelerated the change in consumption pattern from offline to online. The Group will continue to strengthen its sales via online platforms and to refine its frontline and back office systems to seize the online market demand.

Year 2020 was a year full of challenges, and yet the Group has been undertaking preparatory works with diligence to pave the way for the Group's long-term business plans in Hong Kong and the PRC with a view to maximise the return to its shareholders. With the introduction of vaccines of COVID-19 and the pandemic easing off, it is expected that the economic recovery will be beneficial to the Group's performance and the Group is well positioned to ride on the recovery memorandum.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue decreased by HK\$146.5 million, or 18.7%, from HK\$785.0 million for the year ended 31 December 2019 to HK\$638.5 million for the year ended 31 December 2020. The decrease was primarily due to the decrease in demand from the customers of the Group for its products as a result of the outbreak of COVID-19, which resulted in the decrease in sales volume of the products of the Group.

### **Cost of Sales**

The Group's cost of sales decreased by HK\$99.7 million, or 21.0%, from HK\$475.2 million for the year ended 31 December 2019 to HK\$375.5 million for the year ended 31 December 2020. The decrease in the cost of sales was primarily as a result of the decrease in raw material costs for the beverage solutions products, which in turn was mainly caused by the decrease in overall sales volume and procurement price for the Group's major raw materials.

### **Gross Profit and Gross Profit Margin**

As a result of the foregoing, the Group's gross profit decreased by HK\$46.7 million, or 15.1%, from HK\$309.8 million for the year ended 31 December 2019 to HK\$263.1 million for the year ended 31 December 2020. The Group's gross profit margin increased from 39.5% for the year ended 31 December 2019 to 41.2% for the year ended 31 December 2020.

### **Other Income and Gains, Net**

The Group's other income and gains, net increased by HK\$10.4 million from HK\$5.1 million for the year ended 31 December 2019 to HK\$15.5 million for the year ended 31 December 2020. The increase was primarily as a result of (i) government subsidies received during the year ended 31 December 2020, including HK\$10.2 million wages subsidies under the Employment Support Scheme of the Anti-epidemic Fund operated by the Hong Kong government, and (ii) rental waivers granted from lessors on the Group's various office premises and warehouse.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses decreased by HK\$8.7 million, or 7.5%, from HK\$115.9 million for the year ended 31 December 2019 to HK\$107.2 million for the year ended 31 December 2020, primarily due to decrease in (i) marketing and promotion expenses, and (ii) logistics expenses, which were generally in line with the decrease in revenue.

### **Administrative Expenses**

The Group's administrative expenses decreased by HK\$4.9 million, or 6.2%, from HK\$79.2 million for the year ended 31 December 2019 to HK\$74.3 million for the year ended 31 December 2020. The decrease was primarily a result of decrease in staff costs, which reflected the decrease in bonus provision in connection with the Group's performance.

### **Other Expenses, Net**

The Group's other expenses, net decreased by HK\$1.3 million, or 25.5% from HK\$5.1 million for the year ended 31 December 2019 to HK\$3.8 million for the year ended 31 December 2020. The decrease was primarily as a result of non-recurring loss on deregistration of subsidiaries recognised during the year ended 31 December 2019, which partially offset by increase in write-off of trade receivables.

### **Finance Costs**

The Group's finance costs decreased by HK\$2.1 million, or 60.0%, from HK\$3.5 million for the year ended 31 December 2019 to HK\$1.4 million for the year ended 31 December 2020. The decrease was primarily as a result of a reduction in the outstanding balance of interest-bearing bank borrowings.

## **Income Tax Expense**

The Group's income tax expense decreased by HK\$6.5 million, or 30.2%, from HK\$21.5 million for the year ended 31 December 2019 to HK\$15.0 million for the year ended 31 December 2020, mainly due to the decrease in profit before tax in Mainland China. The Group's effective income tax rate decreased from 19.3% for the year ended 31 December 2019 to 16.3% for the year ended 31 December 2020.

## **Profit For The Year From Continuing Operations and Net Profit Margin**

As a result of the foregoing, the Group's profit for the year from continuing operations decreased by HK\$13.0 million, or 14.5%, from HK\$89.8 million for the year ended 31 December 2019 to HK\$76.8 million for the year ended 31 December 2020. The Group's net profit margin from continuing operations increased from 11.4% for the year ended 31 December 2019 to 12.0% for the year ended 31 December 2020.

## **Loss From A Discontinued Operation**

Loss from a discontinued operation for the year ended 31 December 2019 was HK\$12.5 million, primarily a result of loss on disposal of frozen meat business in November 2019 which mainly represented the loss of goodwill associated with the business of the discontinued operation.

## **Capital Expenditure and Commitments**

During the year ended 31 December 2020, the Group incurred additions of property, plant and equipment and right-of-use assets of HK\$24.1 million (2019: HK\$30.7 million) and HK\$7.0 million (2019: Nil), respectively. A substantial portion of the Group's capital expenditures were incurred in relation to the capital expenditures on (i) purchase of coffee machines which were leased to the Group's customers, (ii) production machineries, (iii) enhancement of facilities, and (iv) prepaid lease payments for a piece of leasehold land situated in Dongguan, Mainland China.

As at 31 December 2020, the Group had capital commitment of HK\$4.3 million (2019: HK\$6.2 million), mainly comprising the related contracts of capital expenditure in production machineries and enhancement of information technology system and hardware.

## **Borrowings**

As at 31 December 2020, the Group had total interest-bearing bank borrowings of HK\$12.1 million (2019: HK\$26.2 million).

## **Contingent Liabilities**

During the year ended 31 December 2019 and 2020, the Group was not able to obtain the real estate ownership certificate for two warehouses located in the Mainland China with the carrying amount of HK\$653,000 and HK\$601,000, respectively, before accumulated depreciation of HK\$653,000 and HK\$601,000, respectively. As the Group completed the construction of the relevant warehouses and commenced usage without obtaining the necessary construction planning permit and construction commencement permit prior to the construction and did not complete the filing of the necessary construction completion reports with the relevant authorities, the Group may be requested by the relevant authorities to demolish the construction and is subject to a maximum penalty amounting to RMB1.3 million (equivalent to HK\$1.6 million) (2019: 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 of the Company believe that it is not probable that the relevant authorities will impose the penalty. In addition, the directors of the Company considered the cost of demolition of the two warehouses is not material to the Group. Accordingly, no provision for the relevant liability has been made.

## **Litigation Matter**

In April 2020, our Group has filed a legal action against a third party in the PRC for infringement of trademark and improper competition. The hearing will be held in July 2021 in the People's Court of Shanghai, the PRC.

## **Gearing Ratio**

As at 31 December 2020, on the basis of total interest-bearing bank borrowings divided by equity attributable to owners of the parent, the Group's gearing ratio was 2.2% (2019: 4.8%). The decrease in gearing ratio was mainly due to a reduction in the outstanding balance of interest-bearing bank borrowings.

## **Foreign Currency Risk**

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

## **Interest Rate Risk**

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

## **Credit Risk**

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

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

## **Liquidity Risk**

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

## **HUMAN RESOURCES**

As at 31 December 2020, the Group employed 227 and 240 (2019: 219 and 299) 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 2020, the Group provided various trainings to its employees ranging from operation skill such as occupational safety training and machine control training to professional knowledge including management system and business knowledge, to ensure the effective implementation of the Group's business strategy.

## USE OF PROCEEDS FROM LISTING

The shares of the Company (the “Shares”) were listed on the Main Board of the Stock Exchange on 11 May 2018. 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 issuance and offer of the Shares in connection with the Listing (the “Net Proceeds”) amounted to HK\$232.6 million.

In light of the change in market and economic condition with the uncertainty in the economy recovery in Southeast Asia, the Board has resolved to revise the use of unutilised Net Proceeds from allocating the Net Proceeds originally designated for expansion into Southeast Asia to (i) strengthening business portfolio; and (ii) general working capital. The Board is of the view that the change in use of Net Proceeds would allow the Group to utilise its financial resources in a more beneficial and effective way.

The utilisation of Net Proceeds as at the date of this announcement, the revised allocation of the Net Proceeds and the expected timeline on the utilisation of the Net Proceeds are as follows:

	Original allocation <i>HK\$'000</i>	Utilisation as at the date of this announcement <i>HK\$'000</i>	Remaining balance before revised allocation <i>HK\$'000</i>	Remaining balance after revised allocation <i>HK\$'000</i>	Expected timeline for utilising the remaining unused Net Proceeds
Strengthening business portfolio	93,044	78,740	14,304	29,304	Before 31 December 2022
Capital investment of machineries and equipment	46,522	46,522	—	—	N/A
Expansion into Southeast Asia	23,261	332	22,929	—	N/A
Product customisation and development	23,261	8,775	14,486	14,486	Before 31 December 2022 <i>(Note)</i>
Support sales and marketing	23,261	23,261	—	—	N/A
General working capital	23,261	23,261	—	7,929	Before 31 December 2021
	<hr/>	<hr/>	<hr/>	<hr/>	
Total	<u>232,610</u>	<u>180,891</u>	<u>51,719</u>	<u>51,719</u>	

*Note:* The launching plan of the tea machines has been further delayed as some of the machinery spare parts are sourced from European countries and the expected timeline for utilising the relevant Net Proceeds is extended to 31 December 2022.

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 HK4.00 cents per ordinary Share in respect of the year ended 31 December 2020 (2019: HK3.33 cents per ordinary Share), to shareholders whose names appear on the register of members of the Company on Thursday, 6 May 2021. The total payout will amount to HK\$28.8 million (2019: HK\$24.9 million). The proposed dividend will be paid on or before Tuesday, 25 May 2021, 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, 26 April 2021 to Thursday, 29 April 2021, both days inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 23 April 2021.

In addition, in order to determine the entitlement of the shareholders to receive the proposed final dividend, if approved, the register of members of the Company will be closed on Thursday, 6 May 2021, during which no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 5 May 2021.

## **AUDIT COMMITTEE**

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

The Audit Committee has reviewed the Group’s consolidated financial statements and annual results for the year ended 31 December 2020. The Audit Committee is of the view that the financial statements have been prepared in accordance with the applicable accounting standards and in compliance with the Listing Rules and relevant statutory provisions, and is satisfied that sufficient disclosure has been made.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2020. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by the Company's auditor on this announcement.

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

During the year ended 31 December 2020, the Company repurchased a total of 46,600,000 Shares on the Stock Exchange at a total consideration (before expense) of HK\$52,924,000, details are set out as follows:

Month/Year of repurchase	No. of repurchased shares	Consideration per share		Total consideration (before expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2020	8,418,000	1.22	1.12	9,917
February 2020	2,500,000	1.24	1.14	2,962
March 2020	5,588,000	1.28	1.18	7,013
June 2020	4,888,000	1.02	0.91	4,789
July 2020	13,066,000	1.22	1.04	15,118
September 2020	7,692,000	1.11	1.00	8,424
October 2020	2,294,000	1.06	1.00	2,419
November 2020	2,154,000	1.06	1.05	2,282
	<u>46,600,000</u>			<u>52,924</u>

All the repurchased Shares were cancelled as at the date of this announcement and the issued share capital of the Company was reduced by the nominal value thereof.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from 1 January 2020 and up to the date of this announcement.



## **PUBLIC FLOAT**

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

## **EVENTS AFTER THE REPORTING PERIOD**

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this announcement.

## **ANNUAL GENERAL MEETING**

The AGM will be held on Thursday, 29 April 2021, for the purpose of, among other things, approving the payment for a final dividend of HK4.00 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 year ended 31 December 2020, 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 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 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 Group has adopted its own Securities Dealing Code (the "Code") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules. The Code is also applicable to the specified group of employees who may possess or have access to price sensitive information. Specific enquiries were made to all Directors, and all Directors have confirmed compliance with the required standard set out in the Code throughout the year ended 31 December 2020.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.twcoffice.com](http://www.twcoffice.com)). The annual report of the Company for the year ended 31 December 2020 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, 4 March 2021

*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. Wong Man Fai and Mr. Lok Kung Chin, Hardy.*