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TSIT WING INTERNATIONAL HOLDINGS LIMITED

捷 榮 國 際 控 股 有 限 公 司*

(Incorporated under the laws of Bermuda with limited liability)

(Stock Code: 2119)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2023 amounted to HK$359.4 million, representing an increase of 9.2% from HK$329.0 million for the corresponding period in 2022.

- Gross profit for the six months ended 30 June 2023 amounted to HK$116.1 million, representing an increase of 3.0% from HK$112.7 million for the corresponding period in 2022.

- Gross profit margin decreased from 34.3% for the six months ended 30 June 2022 to 32.3% for the six months ended 30 June 2023.

- Profit for the six months ended 30 June 2023 amounted to HK$22.1 million, representing an increase of 5.2% from HK$21.0 million for the corresponding period in 2022.

- Net profit margin decreased from 6.4% for the six months ended 30 June 2022 to 6.1% for the six months ended 30 June 2023.

* *for identification purposes only*

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Tsit Wing International Holdings Limited (the "**Company**") presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	4	**359,382**	328,983
Cost of sales		**(243,276)**	(216,331)
Gross profit		**116,106**	112,652
Other income and gains, net	4	**2,428**	4,508
Selling and distribution expenses		**(51,149)**	(45,947)
General and administrative expenses		**(38,516)**	(41,848)
Other expenses, net		**(1,850)**	(2,775)
Finance costs	5	**(471)**	(402)
PROFIT BEFORE TAX	6	**26,548**	26,188
Income tax expense	7	**(4,458)**	(5,161)
PROFIT FOR THE PERIOD		**22,090**	21,027
Attributable to:			
Owners of the parent		**22,090**	21,027
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**3.06**	2.92
Diluted		**3.06**	2.92

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**22,090**	21,027
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(4,253)**	(11,735)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**17,837**	9,292
Attributable to:		
Owners of the parent	**17,837**	9,292

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**As at 30 June 2023 (Unaudited)** ***HK$'000***	As at 31 December 2022 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**186,364**	189,711
Intangible assets		**36**	91
Deposits paid for purchases of items of property, plant and equipment		**26,430**	18,774
Prepayments, deposits and other receivables		**1,519**	1,519
Deferred tax assets		**2,496**	2,622
Total non-current assets		**216,845**	212,717
CURRENT ASSETS			
Inventories	11	**135,622**	195,920
Trade receivables	12	**100,235**	109,629
Prepayments, deposits and other receivables		**16,871**	18,030
Tax recoverable		**2,936**	4,486
Cash and cash equivalents		**225,875**	189,789
Total current assets		**481,539**	517,854
CURRENT LIABILITIES			
Trade payables	13	**56,366**	77,909
Accruals and other payables		**34,320**	42,055
Derivative financial instruments		**—**	312
Interest-bearing bank borrowings	14	**7,705**	10,622
Lease liabilities		**9,040**	11,319
Tax payable		**2,151**	1,047
Total current liabilities		**109,582**	143,264
NET CURRENT ASSETS		**371,957**	374,590
TOTAL ASSETS LESS CURRENT LIABILITIES		**588,802**	587,307

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023

	Notes	**As at 30 June 2023 (Unaudited)** ***HK$'000***	As at 31 December 2022 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**3,000**	4,705
Deferred tax liabilities		**8,513**	7,366
Total non-current liabilities		**11,513**	12,071
Net assets		**577,289**	575,236
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	**72,073**	72,073
Reserves		**505,216**	503,163
Total equity		**577,289**	575,236

1. CORPORATE AND GROUP INFORMATION

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

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

- processing and distribution of coffee, tea and related complementary products
- processing and distribution of frozen food
- sale of coffee and tea machines and provision of coffee and tea machine solutions

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position or performance of the Group upon initial application.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

(a) the beverage solutions ("**Beverage Solutions**") segment processes and distributes coffee, tea and related complementary products, sells food and beverages, coffee and tea machines and other related products, and provides coffee and tea machine solutions; and

(b) the food products ("**Food Products**") segment trades frozen food.

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

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

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

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

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
Six months ended 30 June 2023 (unaudited)			
Segment revenue *(note 4)*			
Sales to external customers	**352,890**	**6,492**	**359,382**
Segment results	**31,675**	**(621)**	**31,054**
Reconciliation:			
Interest income			**2,380**
Corporate and other unallocated expenses, net			**(6,608)**
Finance costs (other than interest on lease liabilities)			**(278)**
Profit before tax			**26,548**
Other segment information:			
Depreciation and amortisation	**19,353**	**542**	**19,895**
Reversal of impairment of trade receivables	**(266)**	**(21)**	**(287)**
Impairment of trade receivables	**610**	**—**	**610**
Write-off of trade receivables	**149**	**—**	**149**
Write-down of inventories to net realisable value	**439**	**—**	**439**
Write-off of inventories	**106**	**15**	**121**
Loss on disposal of items of property, plant and equipment	**624**	**—**	**624**
Capital expenditure*	**24,487**	**—**	**24,487**

* Capital expenditure consists of additions to property, plant and equipment of HK$12,684,000 and deposits paid for purchases of items of property, plant and equipment of HK$11,803,000.

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
As at 30 June 2023 (unaudited)			
Segment assets	**479,719**	**11,533**	**491,252**
Reconciliation:			
Elimination of intersegment receivables			**(20,774)**
Corporate and other unallocated assets			**227,906**
Total assets			**698,384**
Segment liabilities	**115,120**	**22,965**	**138,085**
Reconciliation:			
Elimination of intersegment payables			**(20,774)**
Corporate and other unallocated liabilities			**3,784**
Total liabilities			**121,095**

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
Six months ended 30 June 2022 (unaudited)			
Segment revenue *(note 4)*			
Sales to external customers	321,680	7,303	328,983
Segment results	32,346	(847)	31,499
Reconciliation:			
Interest income			1,016
Corporate and other unallocated expenses, net			(6,246)
Finance costs (other than interest on lease liabilities)			(81)
Profit before tax			26,188
Other segment information:			
Depreciation and amortisation	20,226	564	20,790
Reversal of impairment of trade receivables	(11)	—	(11)
Impairment of trade receivables	1,160	109	1,269
Write-off of trade receivables	74	—	74
Write-down of inventories to net realisable value	805	26	831
Write-off of inventories	429	15	444
Loss on disposal of items of property, plant and equipment	168	—	168
Capital expenditure*	55,487	—	55,487

* Capital expenditure consists of additions to property, plant and equipment of HK$51,394,000 and deposits paid for purchases of items of property, plant and equipment of HK$4,093,000.

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
As at 31 December 2022 (audited)			
Segment assets	545,452	13,739	559,191
Reconciliation:			
Elimination of intersegment receivables			(20,265)
Corporate and other unallocated assets			191,645
Total assets			730,571
Segment liabilities	145,144	26,780	171,924
Reconciliation:			
Elimination of intersegment payables			(20,265)
Corporate and other unallocated liabilities			3,676
Total liabilities			155,335

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**238,586**	209,945
Mainland China	**113,940**	112,829
Others	**6,856**	6,209
	359,382	328,983

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

(b) Non-current assets

	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**124,012**	118,875
Mainland China	**88,818**	89,701
	212,830	208,576

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

4. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue

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

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
Six months ended 30 June 2023 (unaudited)			
Type of goods or services			
Sale of coffee, tea and other related complementary products	**342,514**	**—**	**342,514**
Sale of frozen food	**—**	**6,492**	**6,492**
Income from provision of coffee and tea machine solutions	**10,376**	**—**	**10,376**
Total revenue from contracts with customers	**352,890**	**6,492**	**359,382**
Geographical markets			
Hong Kong	**232,094**	**6,492**	**238,586**
Mainland China	**113,940**	**—**	**113,940**
Others	**6,856**	**—**	**6,856**
Total revenue from contracts with customers	**352,890**	**6,492**	**359,382**
Timing of revenue recognition			
Goods transferred at a point in time	**342,514**	**6,492**	**349,006**
Services transferred over time	**10,376**	**—**	**10,376**
Total revenue from contracts with customers	**352,890**	**6,492**	**359,382**

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
Six months ended 30 June 2022 (unaudited)			
Type of goods or services			
Sale of coffee, tea and other related complementary products	309,977	—	309,977
Sale of frozen food	—	7,303	7,303
Income from provision of coffee and tea machine solutions	11,703	—	11,703
Total revenue from contracts with customers	321,680	7,303	328,983
Geographical markets			
Hong Kong	202,959	6,986	209,945
Mainland China	112,512	317	112,829
Others	6,209	—	6,209
Total revenue from contracts with customers	321,680	7,303	328,983
Timing of revenue recognition			
Goods transferred at a point in time	309,977	7,303	317,280
Services transferred over time	11,703	—	11,703
Total revenue from contracts with customers	321,680	7,303	328,983

Other income and gains, net

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**2,380**	1,016
Government subsidies*	**—**	1,576
Foreign exchange gains, net	**—**	798
Gain on changes in fair value of derivative financial instruments, net	**—**	883
Others	**48**	235
	2,428	4,508

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings	**278**	81
Interest on lease liabilities	**193**	321
	471	402

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold^	**224,121**	196,141
Depreciation^:		
Right-of-use assets	**6,542**	7,332
Other items of property, plant and equipment	**13,298**	13,399
	19,840	20,731
Amortisation of intangible assets	**55**	59
Lease payments not included in the measurement of lease liabilities	**517**	215
Foreign exchange differences, net*	**188**	(798)
Reversal of impairment of trade receivables*	**(287)**	(11)
Impairment of trade receivables*	**610**	1,269
Write-off of trade receivables*	**149**	74
Employee benefit expenses^:		
Salaries, wages, allowances and bonuses	**54,859**	54,107
Pension scheme contributions (defined contribution schemes)	**2,907**	3,238
	57,766	57,345
Write-down of inventories to net realisable value*	**439**	831
Write-off of inventories*	**121**	444
Loss on disposal of items of property, plant and equipment*	**624**	168
Loss/(gain) on changes in fair value of derivative financial instruments, net*	**6**	(883)

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

^ The cost of sales for the six months ended 30 June 2023 amounted to HK$243,276,000 (six months ended 30 June 2022: HK$216,331,000), including, but not limited to, cost of inventories sold of HK$224,121,000 (six months ended 30 June 2022: HK$196,141,000), depreciation charge of HK$8,005,000 (six months ended 30 June 2022: HK$8,436,000) and employee benefit expenses of HK$6,580,000 (six months ended 30 June 2022: HK$6,951,000).

7. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (six months ended 30 June 2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2022: 16.5%). Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (six months ended 30 June 2022: 25%).

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the period	**3,024**	2,857
Current — Mainland China		
Charge for the period	**123**	2,510
Overprovision in prior periods	**—**	(22)
Deferred	**1,311**	(184)
Total tax charge for the period	**4,458**	5,161

8. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividend recognised as distribution during the reporting period:		
2021 final dividend — HK3.50 cents per ordinary share	**—**	25,226
2022 final dividend — HK2.19 cents per ordinary share	**15,784**	—
	15,784	25,226
Dividend declared after the end of the reporting period:		
Interim dividend — HK1.84 cents (six months ended 30 June 2022: HK1.76 cents) per ordinary share	**13,261**	12,685

The interim dividend for the six months ended 30 June 2023 has been calculated by reference to 720,731,512 shares in issue as at 17 August 2023.

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 unaudited consolidated profit for the six months ended 30 June 2023 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 720,731,512 (six months ended 30 June 2022: 720,731,512) in issue during the period.

The calculation of the diluted earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation.

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**22,090**	21,027
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**720,732**	720,732

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group had additions of right-of-use assets of HK$2,300,000 (six months ended 30 June 2022: HK$932,000) and other items of property, plant and equipment of HK$16,675,000 (six months ended 30 June 2022: HK$51,681,000).

Items of property, plant and equipment with a net carrying amount of HK$1,127,000 were disposed of by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: HK$475,000).

Right-of-use assets amounted to HK$27,218,000 were included in property, plant and equipment as at 30 June 2023 (31 December 2022: HK$31,733,000).

11. INVENTORIES

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Raw materials	**80,372**	119,534
Work-in-progress	**743**	718
Finished goods	**54,507**	75,668
	135,622	195,920

12. TRADE RECEIVABLES

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Trade receivables	**110,245**	119,445
Impairment	**(10,010)**	(9,816)
	100,235	109,629

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

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

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Within 30 days	**84,413**	94,171
31 to 60 days	**8,041**	8,654
61 to 90 days	**5,328**	4,140
91 to 120 days	**936**	1,393
121 to 180 days	**943**	894
Over 180 days	**574**	377
	100,235	109,629

13. TRADE PAYABLES

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

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Within 1 month	**53,554**	75,808
1 to 2 months	**2,112**	1,805
2 to 3 months	**154**	142
Over 3 months	**546**	154
	56,366	77,909

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

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Current		
Trust receipt loans — unsecured	**7,705**	10,622

15. ISSUED CAPITAL

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
720,731,512 (31 December 2022: 720,731,512) ordinary shares of HK$0.10 each	**72,073**	72,073

16. SHARE OPTION SCHEMES

The Company operates a pre-initial public offering share option scheme (the "**Pre-IPO Share Option Scheme**") and a share option scheme (the "**Share Option Scheme**") (collectively, the "**Schemes**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The principal terms of the Pre-IPO Share Option Scheme are similar to the terms of the Share Option Scheme except that (i) no further options could be granted under the Pre-IPO Share Option Scheme established prior to the date on which the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), i.e., 11 May 2018 (the "**Listing Date**"); and (ii) the exercise price and the exercise period of the share options are different. Details of the Schemes are set out in the prospectus dated 30 April 2018 issued by the Company in relation to the listing of its shares on the Stock Exchange.

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

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

Share Option Scheme

During the six months ended 30 June 2023, no options were granted or agreed to be granted under the Share Option Scheme.

Pre-IPO Share Option Scheme

The share options granted prior to the Listing under the Pre-IPO Share Option Scheme which had not been exercised before 10 May 2021 (being the day immediately before the third anniversary of the Listing Date) were already forfeited or lapsed in all on 10 May 2021 pursuant to the terms of the Pre-IPO Share Option Scheme. As such, the Company had no share options outstanding under the Pre-IPO Share Option Scheme as at 30 June 2023 and 2022.

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**8,323**	8,299
Pension scheme contributions (defined contribution schemes)	**435**	415
	8,758	8,714

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is a leading integrated business-to-business ("**B2B**") coffee and black tea solutions provider in Hong Kong, Macau and Mainland China providing one-stop coffee and tea solutions to commercial customers that cover the entire coffee and tea procurement, processing and distribution value chain.

For the six months ended 30 June 2023, the Group recorded a total revenue of HK$359.4 million, representing an increase of HK$30.4 million, or 9.2%, from HK$329.0 million for the six months ended 30 June 2022. Revenue from the beverage solutions segment increased by HK$31.2 million, or 9.7%, from HK$321.7 million for the six months ended 30 June 2022 to HK$352.9 million for the six months ended 30 June 2023, which was mainly attributable to the increase in revenue derived from Hong Kong and Mainland China. Revenue from the food products segment decreased by HK$0.8 million, or 11.0%, from HK$7.3 million for the six months ended 30 June 2022 to HK$6.5 million for the six months ended 30 June 2023, which was attributable to the decrease in revenue derived from Hong Kong. While gross profit was mainly affected by the increase in raw material costs, gross profit margin slightly decreased from 34.3% for the six months ended 30 June 2022 to 32.3% for the six months ended 30 June 2023.

BUSINESS PROSPECT

In early February this year, the Chinese government allowed the full resumption of normal travel between Hong Kong and the People's Republic of China ("**PRC**"). The Group is in full force to take off together with the economies of these two places as it has been planning ahead, adjusting its business strategies and enhancing its operational capabilities, during the COVID-19 pandemic to cater for the rebound of business when life returns to normal.

In April 2023, Dah Chong Hong Food International Holdings Limited ("**DCH**"), became a strategic substantial shareholder of the Company (the "**Shareholder(s)**"). Robust attempts have been made by the management of the Group and DCH to explore future collaboration. The overall direction and target set for the future collaboration is to leverage on each other's competitive strength to capture upside business opportunities in order to drive growth, achieve synergy in operation and optimise cost efficiency.

On the premises of strengths of each other, the collaboration of the Group and DCH would be in the following 4 dimensions:

1. By geographic area: with the PRC and Hong Kong as the main focus, there will be plans to explore the possibilities of market expansion of the Group's products to South East Asia;

2. By market: with the Group strong in B2B market having solid customer network and DCH strong in B2C market with solid business base;

3. By product: with the Group strong in tea and coffee and DCH strong in frozen, chill and dairy products; and

4. By process in the value chain: namely (a) R&D, sourcing and procurement; (b) production and processing; (c) sales and marketing; and (d) logistics and deliveries.

Working towards the above strategic plans, the Group is in the course of designing with DCH an implementation roadmap and exploring its feasibility.

It is also believed that the competitive advantages, extensive business network and solid expertise of DCH can be leveraged in strengthening and expanding the Group's business foundation in the PRC and thereby enhancing the overall income and profitability of the Group and creating positive value for the Shareholders in the long term.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by HK$30.4 million, or 9.2%, from HK$329.0 million for the six months ended 30 June 2022 to HK$359.4 million for the six months ended 30 June 2023. The increase was primarily due to the increase in revenue derived from the Group's coffee and tea products, which was mainly the result of an increase in sales volume of these products arising from the resumption of normalcy in Hong Kong and in Mainland China after the COVID-19 pandemic.

Cost of Sales

The Group's cost of sales increased by HK$27.0 million, or 12.5%, from HK$216.3 million for the six months ended 30 June 2022 to HK$243.3 million for the six months ended 30 June 2023. The increase in the cost of sales was primarily a result of the increase in raw material costs for the beverage solutions products.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by HK$3.4 million, or 3.0%, from HK$112.7 million for the six months ended 30 June 2022 to HK$116.1 million for the six months ended 30 June 2023. The Group's gross profit margin slightly decreased from 34.3% for the six months ended 30 June 2022 to 32.3% for the six months ended 30 June 2023.

Other Income and Gains, Net

The Group's other income and gains, net decreased by HK$2.1 million, or 46.7%, from HK$4.5 million for the six months ended 30 June 2022 to HK$2.4 million for the six months ended 30 June 2023. The decrease was primarily due to no government subsidies were granted under the Employment Support Scheme of the Government of the Hong Kong Special Administrative Region during the period.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by HK$5.2 million, or 11.3%, from HK$45.9 million for the six months ended 30 June 2022 to HK$51.1 million for the six months ended 30 June 2023, primarily due to the increase in (i) marketing and promotion expenses, and (ii) logistics expenses, which were generally in line with the increase in revenue.

General and Administrative Expenses

The Group's general and administrative expenses decreased by HK$3.3 million, or 7.9%, from HK$41.8 million for the six months ended 30 June 2022 to HK$38.5 million for the six months ended 30 June 2023. The decrease was primarily a result of the decrease in staff costs.

Other Expenses, Net

The Group's other expenses, net, decreased by HK$0.9 million, or 32.1%, from HK$2.8 million for the six months ended 30 June 2022 to HK$1.9 million for the six months ended 30 June 2023. The decrease was primarily a result of the decrease in (i) write-down of inventories to net realisable value, (ii) write-off of inventories, and (iii) impairment of trade receivables.

Finance Costs

The Group's finance costs increased from HK$0.4 million for the six months ended 30 June 2022 to HK$0.5 million for the six months ended 30 June 2023. The increment was primarily the result of the increase in average interest rate on bank borrowings.

Income Tax Expense

The Group's income tax expense decreased by HK$0.7 million, or 13.5%, from HK$5.2 million for the six months ended 30 June 2022 to HK$4.5 million for the six months ended 30 June 2023, mainly due to the decrease in profit before tax in Mainland China. The Group's effective tax rate decreased from 19.7% for the six months ended 30 June 2022 to 16.8% for the six months ended 30 June 2023.

Profit for The Period and Net Profit Margin

As a result of the foregoing, the Group's profit for the period increased by HK$1.1 million, or 5.2%, from HK$21.0 million for the six months ended 30 June 2022 to HK$22.1 million for the six months ended 30 June 2023. The Group's net profit margin slightly decreased from 6.4% for the six months ended 30 June 2022 to 6.1% for the six months ended 30 June 2023.

Capital Expenditure and Commitments

During the six months ended 30 June 2023, the Group had additions of property, plant and equipment of HK$16.7 million (six months ended 30 June 2022: HK$51.7 million). The Group's capital expenditures were incurred in relation to the purchase of (i) coffee and tea machines which were leased to the Group's customers, and (ii) production machineries.

As at 30 June 2023, the Group had capital commitments of HK$5.4 million (31 December 2022: HK$14.2 million), mainly comprising the related contracts of capital expenditure in production machineries on the Group's coffee roasting system and tea bag packaging system.

Borrowings

As at 30 June 2023, the Group had total interest-bearing bank borrowings of HK$7.7 million (31 December 2022: HK$10.6 million).

Contingent Liabilities

During the six months ended 30 June 2023, the Group was not able to obtain the real estate ownership certificate for two warehouses located in Mainland China with the costs of HK$0.7 million and HK$0.6 million, respectively, these two warehouses were fully depreciated in prior years. As the Group completed the construction of the relevant warehouses and commenced usage without obtaining the necessary construction planning permit and construction commencement permit prior to the construction and did not complete the filing of the necessary construction completion reports with the relevant authorities, the Group may be requested by the relevant authorities to demolish the construction and is subject to a maximum penalty amounting to RMB1.3 million (equivalent to HK$1.5 million) (31 December 2022: RMB1.3 million (equivalent to HK$1.5 million)). Having considered the current practice of the relevant authorities and the advice from the Group's legal counsel, the Directors believe that it is not probable that the relevant authorities will impose the penalty. In addition, the Directors considered the cost of demolishment of the two warehouses is not material to the Group. Accordingly, no provision for the relevant liability has been made.

Litigation Matter

In April 2020, the Group has filed a legal action against a third party in the PRC for infringement of trademark and improper competition. In July 2022, the Group has received a favorable judgement from the People's Court of Shanghai Pudong New Area, the PRC. Up to the date of this announcement, the third party has filed a petition for appeal against the first instance judgement.

Gearing Ratio

As at 30 June 2023, on the basis of total interest-bearing bank borrowings divided by equity attributable to owners of the parent, the Group's gearing ratio was 1.3% (31 December 2022: 1.8%). The decrease in gearing ratio was mainly due to a decrease in the outstanding balance of interest-bearing bank borrowings.

Foreign Currency Risk

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

Interest Rate Risk

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

Credit Risk

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

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

Liquidity Risk

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

HUMAN RESOURCES

As at 30 June 2023, the Group employed 200 and 197 (31 December 2022: 209 and 198) employees in Hong Kong and the PRC, respectively.

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

During the six months ended 30 June 2023, the Group provided various trainings to its employees ranging from operation skills such as occupational safety training and machine control training to professional knowledge including management system and business knowledge, to ensure the effective implementation of the Group's business strategy.

USE OF PROCEEDS FROM LISTING

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

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

The original allocation of the Net Proceeds, the remaining balance after the revised allocation of the Net Proceeds on 1 January 2023, the utilisation of the Net Proceeds during the period from 1 January 2023 to 30 June 2023, the unutilised Net Proceeds as at 30 June 2023 and the expected timeline for the utilisation of the remaining Net Proceeds are as follows:

	Original allocation *HK$'000*	Remaining balance as at 1 January 2023 *HK$'000*	Utilisation during the period *HK$'000*	Unutilised amount as at 30 June 2023 *HK$'000*	Expected timeline for utilising the remaining Net Proceeds
Strengthen business portfolio	93,044	—	—	—	N/A
Capital investments of machineries and equipment	46,522	—	—	—	N/A
Expansion into Southeast Asia	23,261	—	—	—	N/A
Product customisation and development	23,261	11,117	(6,789)	4,328	Before 31 December 2023
Support sales and marketing	23,261	—	—	—	N/A
General working capital	23,261	—	—	—	N/A
Total	232,610	11,117	(6,789)	4,328	

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

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of HK1.84 cents (six months ended 30 June 2022: HK1.76 cents) per Share for the six months ended 30 June 2023 payable on Monday, 18 September 2023 to the Shareholders whose names appear on the register of members of the Company on Friday, 1 September 2023.

In order to determine the entitlement of the shareholders to receive the aforesaid interim dividend, the register of members of the Company will be closed on Friday, 1 September 2023, during which no transfer of Shares will be registered. In order to be eligible to receive the interim dividend, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 31 August 2023.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with terms of reference in compliance with Rules 3.21 and 3.22 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and code provision D.3 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**"). The Audit Committee consists of three independent non-executive Directors, namely Mr. Tang Kwai Chang (Chairman), Mr. Wong Man Fai and Mr. Lok Kung Chin Hardy. The Audit Committee reviewed with the management the accounting policies and practices adopted by the Company and discussed the auditing, internal control and financial reporting matters. The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

In addition, the Company's external auditor, Ernst & Young, has performed an independent review of the Group's interim condensed consolidated financial statements for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the code provisions as set out in the CG Code (to the extent that such provisions are applicable) during the six months ended 30 June 2023, except for a deviation from code provision C.2.1 of the CG Code in respect of the roles of chairman and chief executive officer of the Company.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own Security Dealing Code (the "**Code**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Code is also applicable to the specified group of employees who may possess or have access to price sensitive information. Specific enquiries were made to all Directors, and all Directors have confirmed the compliance with the required standard set out in the Code throughout the six months ended 30 June 2023.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.twcoffee.com). The interim report of the Company for the six months ended 30 June 2023 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 17 August 2023

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