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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 2024

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2024 amounted to HK\$349.4 million, representing a decrease of 2.8% from HK\$359.4 million for the corresponding period in 2023.
- Gross profit for the six months ended 30 June 2024 amounted to HK\$124.8 million, representing an increase of 7.5% from HK\$116.1 million for the corresponding period in 2023.
- Gross profit margin increased from 32.3% for the six months ended 30 June 2023 to 35.7% for the six months ended 30 June 2024.
- Profit for the six months ended 30 June 2024 amounted to HK\$36.1 million, representing an increase of 63.3% from HK\$22.1 million for the corresponding period in 2023.
- Net profit margin increased from 6.1% for the six months ended 30 June 2023 to 10.3% for the six months ended 30 June 2024.

* 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 2024, together with the comparative figures for the corresponding period in 2023 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	349,437	359,382
Cost of sales		<u>(224,629)</u>	<u>(243,276)</u>
Gross profit		124,808	116,106
Other income and gains, net	4	15,161	2,428
Selling and distribution expenses		(49,865)	(51,149)
General and administrative expenses		(40,886)	(38,516)
Other expenses, net		(3,271)	(1,850)
Finance costs	5	<u>(823)</u>	<u>(471)</u>
PROFIT BEFORE TAX	6	45,124	26,548
Taxation	7	<u>(8,978)</u>	<u>(4,458)</u>
PROFIT FOR THE PERIOD		<u>36,146</u>	<u>22,090</u>
Attributable to:			
Owners of the parent		<u>36,146</u>	<u>22,090</u>
		<i>HK cents</i>	<i>HK cents</i>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		5.02	3.06
Diluted		<u>5.02</u>	<u>3.06</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>36,146</u>	<u>22,090</u>
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	<u>(3,025)</u>	<u>(4,253)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>33,121</u></u>	<u><u>17,837</u></u>
Attributable to:		
Owners of the parent	<u><u>33,121</u></u>	<u><u>17,837</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	200,563	187,804
Deposits paid for purchases of items of property, plant and equipment		24,190	25,531
Prepayments, deposits and other receivables		1,552	1,519
Deferred tax assets		2,828	2,800
		<hr/>	<hr/>
Total non-current assets		229,133	217,654
CURRENT ASSETS			
Inventories	11	134,141	131,502
Trade receivables	12	95,020	115,169
Prepayments, deposits and other receivables		21,257	12,136
Tax recoverable		902	151
Cash and cash equivalents		197,781	253,752
		<hr/>	<hr/>
Assets classified as held for sale	13	—	4,753
		<hr/>	<hr/>
Total current assets		449,101	517,463
CURRENT LIABILITIES			
Trade payables	14	77,129	63,360
Accruals and other payables		42,117	44,132
Derivative financial instruments		155	161
Interest-bearing bank borrowings	15	4,472	7,130
Lease liabilities		10,981	7,433
Tax payable		6,519	3,710
		<hr/>	<hr/>
Total current liabilities		141,373	125,926
NET CURRENT ASSETS		307,728	391,537
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		536,861	609,191
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

As at 30 June 2024

		As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		21,078	10,524
Deferred tax liabilities		8,192	8,231
Total non-current liabilities		29,270	18,755
Net assets		507,591	590,436
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	72,073	72,073
Reserves		435,518	518,363
Total equity		507,591	590,436

1. CORPORATE AND GROUP INFORMATION

Tsit Wing International Holdings Limited (the “**Company**”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Canon’s Court, 22 Victoria Street, Hamilton, HM 12, Bermuda. The principal place of business of the Company is located at Flats F-J, 11th Floor, Block 1, Kwai Tak Industrial Centre, 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. During the 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 2024 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 2023. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. Assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. 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 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial statements.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the unaudited interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2023, for management purposes and for the purpose of making decisions about resource allocation and performance assessment, the Group was organised into business units based on their products and services and had reported two operating segments as follows:

- (a) the 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.

Effective from the year of 2024, the Group revised the composition of its operating segment(s) to align with changes made in the manner the Chief Operating Decision Maker (“CODM”) reviews the Group’s operating results in assessing performance and making decisions about resource allocation. The CODM now assesses the Group’s performance as a whole as a result of the Food Products segment becoming less significant relative to the overall business of the Group. The Group’s resources are now integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2024 (Unaudited) HK\$’000	2023 (Unaudited) HK\$’000
Hong Kong	244,279	238,586
Mainland China	99,187	113,940
Others	5,971	6,856
	<u>349,437</u>	<u>359,382</u>

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

(b) Non-current assets

	As at 30 June 2024 (Unaudited) HK\$’000	As at 31 December 2023 (Audited) HK\$’000
	Hong Kong	138,257
Mainland China	86,496	90,472
	<u>224,753</u>	<u>213,335</u>

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:

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Type of goods or services		
Sale of coffee, tea and other related complementary products	334,534	342,514
Sale of frozen food	4,103	6,492
Income from provision of coffee and tea machine solutions	10,800	10,376
	<hr/>	<hr/>
Total revenue from contracts with customers	349,437	359,382
	<hr/> <hr/>	<hr/> <hr/>
Geographical markets		
Hong Kong	244,279	238,586
Mainland China	99,187	113,940
Others	5,971	6,856
	<hr/>	<hr/>
Total revenue from contracts with customers	349,437	359,382
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
Goods transferred at a point in time	338,637	349,006
Services transferred over time	10,800	10,376
	<hr/>	<hr/>
Total revenue from contracts with customers	349,437	359,382
	<hr/> <hr/>	<hr/> <hr/>

Other income and gains, net

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	2,563	2,380
Gain on disposal of assets classified as held for sale and items of property, plant and equipment, net	12,273	—
Others	325	48
	<u>15,161</u>	<u>2,428</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	154	278
Interest on lease liabilities	669	193
	<u>823</u>	<u>471</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Cost of inventories sold [^]	205,311	224,121
Depreciation [^] :		
Right-of-use assets	6,333	6,542
Other items of property, plant and equipment	12,998	13,298
	<u>19,331</u>	<u>19,840</u>
Amortisation of intangible assets	—	55
Lease payments not included in the measurement of lease liabilities	575	517
Foreign exchange differences, net*	1,406	188
Reversal of impairment of trade receivables*	(1)	(287)
Impairment of trade receivables*	439	610
Write-off of deposits paid for purchases of items of property, plant and equipment	404	—
Write-off of trade receivables*	307	149
Employee benefit expenses [^] :		
Salaries, wages, allowances and bonuses	57,697	54,859
Pension scheme contributions (defined contribution schemes)	3,031	2,907
	<u>60,728</u>	<u>57,766</u>
Write-down of inventories to net realisable value*	74	439
Write-off of inventories*	211	121
(Gain)/loss on disposal of assets classified as held for sale and items of property, plant and equipment, net*	(12,273)	624
Loss on changes in fair value of derivative financial instruments, net*	431	6
	<u><u>431</u></u>	<u><u>6</u></u>

* 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 2024 amounted to HK\$224,629,000 (six months ended 30 June 2023: HK\$243,276,000), including, but not limited to, cost of inventories sold of HK\$205,311,000 (six months ended 30 June 2023: HK\$224,121,000), depreciation charge of HK\$7,960,000 (six months ended 30 June 2023: HK\$8,005,000) and employee benefit expenses of HK\$6,535,000 (six months ended 30 June 2023: HK\$6,580,000).

7. TAXATION

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 2023: 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 2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2023: 16.5%). Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (six months ended 30 June 2023: 25%).

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	4,093	3,024
Current — Mainland China		
Charge for the period*	4,916	123
Deferred	(31)	1,311
	<u>8,978</u>	<u>4,458</u>
Total tax charge for the period	<u>8,978</u>	<u>4,458</u>

* During the six months ended 30 June 2024, a 5% withholding income tax amounting to HK\$2,964,000 (six month ended 30 June 2023: Nil) was levied in respect of dividend distribution arising from profits of a subsidiary established in Mainland China.

8. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends recognised as distributions during the reporting period:		
2022 final dividend — HK2.19 cents per ordinary share	—	15,784
2023 final dividend — HK2.22 cents per ordinary share	16,000	—
Special dividend — HK13.87 cents per ordinary share	99,966	—
	<u>115,966</u>	<u>15,784</u>
Dividend declared after the end of the reporting period:		
Interim dividend — HK2.76 cents (six months ended 30 June 2023: HK1.84 cents) per ordinary share	19,892	13,261
	<u>19,892</u>	<u>13,261</u>

The interim dividend for the six months ended 30 June 2024 has been calculated with reference to 720,731,512 shares in issue as at 15 August 2024.

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 2024 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 2023: 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	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>36,146</u>	<u>22,090</u>
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings per share calculations	<u>720,732</u>	<u>720,732</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group had additions of right-of-use assets of HK\$20,057,000 (six months ended 30 June 2023: HK\$2,300,000) and other items of property, plant and equipment of HK\$13,557,000 (six months ended 30 June 2023: HK\$16,675,000).

Items of property, plant and equipment with a net carrying amount of HK\$187,000 were disposed of by the Group during the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$1,127,000).

Right-of-use assets amounted to HK\$46,406,000 were included in property, plant and equipment as at 30 June 2024 (31 December 2023: HK\$32,985,000).

11. INVENTORIES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Raw materials	84,020	77,614
Work-in-progress	504	254
Finished goods	49,617	53,634
	<u>134,141</u>	<u>131,502</u>

12. TRADE RECEIVABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade receivables	101,001	126,252
Impairment	(5,981)	(11,083)
	<u>95,020</u>	<u>115,169</u>

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

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 30 days	82,776	100,546
31 to 60 days	5,396	7,614
61 to 90 days	4,669	4,844
91 to 120 days	360	1,435
121 to 180 days	562	396
Over 180 days	1,257	334
	<u>95,020</u>	<u>115,169</u>

13. ASSETS CLASSIFIED AS HELD FOR SALE

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Non-current assets held for sale		
Building and equipment	—	4,753

In November 2023, the board of directors of a subsidiary resolved to sell a property, together with certain machinery and equipment of the subsidiary, which had been used mainly for the Group's business conducted in that property, (collectively referred to as the "Non-current Assets") to an independent third party. This is in line with a disposal plan then committed by management. The sale was completed on 20 February 2024, in line with management's original expectation.

Accordingly, for the consolidated statement of financial position as at 31 December 2023, the Non-current Assets with a carrying amount of approximately HK\$4,753,000 as at 31 December 2023 had been classified and accounted for as assets held for sale as their carrying amounts would be recovered principally through a sale transaction.

14. 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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 1 month	76,105	62,544
1 to 2 months	66	45
2 to 3 months	113	18
Over 3 months	845	753
	<u>77,129</u>	<u>63,360</u>

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

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Current		
Trust receipt loans — unsecured	4,472	7,130

16. ISSUED CAPITAL

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<u><u>200,000</u></u>	<u><u>200,000</u></u>
Issued and fully paid:		
720,731,512 (31 December 2023: 720,731,512) ordinary shares of HK\$0.10 each	<u><u>72,073</u></u>	<u><u>72,073</u></u>

17. 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**”) (the “**Listing**”); 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 2024, 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 2024 and 2023.

18. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions, arrangements and balances detailed elsewhere in these unaudited interim condensed consolidated financial statements, the Group had the following transactions with related parties based on terms agreed with respective parties during the period:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of goods via a supply chain service provider <i>(note 1)</i> engaged by a third party supplier	9,960	2,829
Purchase of goods via a distributor <i>(note 2)</i>	1,038	762
Logistic and storage costs charged by a warehouse and logistics service provider <i>(note 3)</i>	667	—
Original equipment manufacturing processing income from a coffee and tea manufacturer <i>(note 4)</i>	662	—
	<u>662</u>	<u>—</u>

Notes:

1. The supply chain service provider engaged is a related company of a substantial shareholder of the Company.
 2. The distributor is a related company of a substantial shareholder of the Company.
 3. The warehouse and logistics service provider is a related company of a substantial shareholder of the Company.
 4. The coffee and tea manufacturer is a related company of a substantial shareholder of the Company.
- (b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	7,803	8,323
Pension scheme contributions (defined contribution schemes)	455	435
	<u>8,258</u>	<u>8,758</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is a leading integrated business-to-business 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 2024, the Group recorded a total revenue of HK\$349.4 million, representing a decrease of HK\$10.0 million, or 2.8%, from HK\$359.4 million for the six months ended 30 June 2023, which was mainly attributable to the decrease in revenue derived from Mainland China. While gross profit was mainly impacted by the decrease in raw material costs for the coffee products, gross profit margin increased from 32.3% for the six months ended 30 June 2023 to 35.7% for the six months ended 30 June 2024.

BUSINESS PROSPECT

The evolving global economic environment has presented significant challenges for businesses worldwide. According to the statistics of retail sales published by the Census and Statistics Department of Hong Kong, the value of total retail sales in June 2024 in Hong Kong decreased by 9.7% compared with the same month in 2023, and dropped 6.6% YOY from January to June. Further, it is estimated that around 2,200 restaurants closed in the first half of 2024 (Source: Openrice) and more restaurant closures are expected in the remaining half of 2024. The slumping retail market combined with the notable rising rate of restaurant closures has exposed the Group to further market uncertainties.

In response to these market complexities, the Group recognises the critical importance of robust cash flow and risk management. Specifically, the Group will closely monitor the recoverability of accounts receivable and take proactive measures as necessary. By remaining vigilant and continuously reviewing its business strategies, the Group is committed to maintaining sustainable business growth through prudent management and the implementation of effective cost-saving measures.

Having successfully navigated through challenging business environments in the past due to sound management practices, the Group is confident in its ability to continue to adapt to dynamic market conditions while safeguarding the interest of its shareholders and investors.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by HK\$10.0 million, or 2.8%, from HK\$359.4 million for the six months ended 30 June 2023 to HK\$349.4 million for the six months ended 30 June 2024. The decrease was primarily due to the decrease in revenue derived from the Group's instant products in Mainland China, which was mainly attributable to a decrease in sales volume of these products as a result of the change of customers' demand in Mainland China.

Cost of Sales

The Group's cost of sales decreased by HK\$18.7 million, or 7.7%, from HK\$243.3 million for the six months ended 30 June 2023 to HK\$224.6 million for the six months ended 30 June 2024. The decrease in the cost of sales was primarily a result of the decrease in raw material costs for the coffee products, which in turn was mainly caused by the decrease in procurement price for the Group's major raw materials.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by HK\$8.7 million, or 7.5%, from HK\$116.1 million for the six months ended 30 June 2023 to HK\$124.8 million for the six months ended 30 June 2024. The Group's gross profit margin increased from 32.3% for the six months ended 30 June 2023 to 35.7% for the six months ended 30 June 2024.

Other Income and Gains, Net

The Group's other income and gains, net increased by HK\$12.8 million, or 533.3%, from HK\$2.4 million for the six months ended 30 June 2023 to HK\$15.2 million for the six months ended 30 June 2024. The increase was primarily due to the sale of assets classified as held for sale and items of property, plant and equipment resulting in a gain on disposal of HK\$12.2 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by HK\$1.2 million, or 2.3%, from HK\$51.1 million for the six months ended 30 June 2023 to HK\$49.9 million for the six months ended 30 June 2024, primarily due to the decrease in marketing and promotion expenses, which was generally in line with the decrease in revenue.

General and Administrative Expenses

The Group's general and administrative expenses increased by HK\$2.4 million, or 6.2%, from HK\$38.5 million for the six months ended 30 June 2023 to HK\$40.9 million for the six months ended 30 June 2024. The increase was primarily a result of the increase in staff costs.

Other Expenses, Net

The Group's other expenses, net, increased by HK\$1.4 million, or 73.7%, from HK\$1.9 million for the six months ended 30 June 2023 to HK\$3.3 million for the six months ended 30 June 2024. The increase was primarily a result of the increase in loss on foreign exchange caused by depreciation on Renminbi currency.

Finance Costs

The Group's finance costs increased from HK\$0.5 million for the six months ended 30 June 2023 to HK\$0.8 million for the six months ended 30 June 2024. The increment was primarily the result of the increase in interest on lease liabilities as renewal of tenancy agreements and new leases were entered for business expansion.

Taxation

The Group's taxation increased by HK\$4.5 million, or 100.0%, from HK\$4.5 million for the six months ended 30 June 2023 to HK\$9.0 million for the six months ended 30 June 2024, mainly due to the increase in profit before tax of the Group and a withholding tax of 5% was levied in respect of dividend distribution arising from profit of foreign investment enterprise in Mainland China. The Group's effective tax rate increased from 16.8% for the six months ended 30 June 2023 to 19.9% for the six months ended 30 June 2024.

Profit for The Period and Net Profit Margin

As a result of the foregoing, the Group's profit for the period increased by HK\$14.0 million, or 63.3%, from HK\$22.1 million for the six months ended 30 June 2023 to HK\$36.1 million for the six months ended 30 June 2024. The Group's net profit margin increased from 6.1% for the six months ended 30 June 2023 to 10.3% for the six months ended 30 June 2024.

Capital Expenditure and Commitments

During the six months ended 30 June 2024, the Group had additions of property, plant and equipment of HK\$13.6 million (six months ended 30 June 2023: HK\$16.7 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 2024, the Group had capital commitments of HK\$9.0 million (31 December 2023: HK\$3.9 million), mainly comprising the related contracts of capital expenditure in production machineries on the Group's coffee roasting system and tea tank and packaging system.

Borrowings

As at 30 June 2024, the Group had total interest-bearing bank borrowings of HK\$4.5 million (31 December 2023: HK\$7.1 million).

Contingent Liabilities

During the six months ended 30 June 2024, the Group was not able to obtain the real estate ownership certificates for two warehouses located in Mainland China with 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\$1.4 million) (31 December 2023: 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 filed a legal action against a third party in Mainland China for infringement of trademark and improper competition. In July 2022, the Group received a favorable judgement from the People's Court of Shanghai Pudong New Area, Mainland China. Up to the date of this announcement, the third party has filed a petition for appeal against the first instance judgement.

Gearing Ratio

As at 30 June 2024, on the basis of total interest-bearing bank borrowings divided by equity attributable to owners of the parent, the Group's gearing ratio was 0.9% (31 December 2023: 1.2%). 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 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 2024, the Group employed 192 and 193 (31 December 2023: 195 and 203) employees in Hong Kong and Mainland China, 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 2024, 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.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of HK2.76 cents (six months ended 30 June 2023: HK1.84 cents) per share of the Company (the “**Shares**”) for the six months ended 30 June 2024 payable on Friday, 13 September 2024 to the shareholders whose names appear on the register of members of the Company on Friday, 30 August 2024.

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, 30 August 2024, 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, 29 August 2024.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with terms of reference in compliance with Rules 3.21 and 3.22 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and code provision D.3 of the Corporate Governance Code as contained in Appendix C1 to the Listing Rules (the “**CG Code**”). The Audit Committee consists of three independent non-executive Directors, namely Mr. Tang Kwai Chang (Chairman), Mr. Wong Man Fai and Mr. Lok Kung Chin Hardy. The Audit Committee reviewed with the management the accounting policies and practices adopted by the Company and discussed the auditing, internal control and financial reporting matters. The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2024 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 2024 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 2024, 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 2024 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 2024, 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 facilitates the execution of the Company's business strategies and maximises the effectiveness of its operations.

The Board shall nevertheless review the structure from time to time and shall consider 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 C3 to the Listing Rules. The Code is also applicable to the specified group of employees who may possess or have access to price sensitive information. Specific enquiries were made to all Directors, and all Directors have confirmed the compliance with the required standard set out in the Code throughout the six months ended 30 June 2024.

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 2024 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, 15 August 2024

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