TSIT WING INTERNATIONAL HOLDINGS LIMITED

捷榮國際控股有限公司*

(Incorporated under the laws of Bermuda with limited liability)

(Stock Code: 2119)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS ON CONTINUING OPERATIONS

- Revenue for the year ended 31 December 2019 amounted to HK$785.0 million, representing a decrease of 5.5% from HK$831.1 million as compared to the year ended 31 December 2018.

- Gross profit for the year ended 31 December 2019 amounted to HK$309.8 million, representing a decrease of 1.4% from HK$314.2 million as compared to the year ended 31 December 2018.

- Profit attributable to owners of the parent from continuing operations for the year ended 31 December 2019 amounted to HK$89.8 million, representing an increase of 22.6% from HK$73.2 million as compared to the year ended 31 December 2018.

- Adjusted profit attributable to owners of the parent from continuing operations[1] for the year ended 31 December 2019 would amount to HK$93.3 million, representing an increase of 6.7% from HK$87.4 million as compared to the year ended 31 December 2018.

(1) Adjusted profit for the year attributable to owners of the parent from continuing operations is a non-HKFRS financial measurement which, in the opinion of the Directors, eliminates the effect of a number of non-recurring expenses and losses and certain non-cash charges, including (i) Listing-related expenses; (ii) share-based payment expense relating to the Pre-IPO Share Option Scheme; and (iii) loss on deregistration of subsidiaries, and excluding any tax effects related to the preceding judgements, in order to give shareholders a proxy of the operating profit generated from ordinary course of business.

* *for identification purposes only*

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Tsit Wing International Holdings Limited (the "**Company**") presents the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the previous financial year as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
CONTINUING OPERATIONS			
REVENUE	4	**784,998**	831,072
Cost of sales		**(475,166)**	(516,894)
Gross profit		**309,832**	314,178
Other income	4	**5,127**	2,968
Selling and distribution expenses		**(115,863)**	(117,147)
Administrative expenses		**(79,204)**	(91,770)
Other expenses, net		**(5,104)**	(11,068)
Finance costs	5	**(3,509)**	(4,513)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**111,279**	92,648
Income tax expense	7	**(21,466)**	(19,408)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**89,813**	73,240
DISCONTINUED OPERATION			
(LOSS)/PROFIT FOR THE YEAR FROM A DISCONTINUED OPERATION	8	**(12,523)**	4,240
PROFIT FOR THE YEAR		**77,290**	77,480

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Profit/(loss) attributable to owners of the parent:			
— from continuing operations		**89,813**	73,240
— from a discontinued operation		**(14,335)**	2,544
Profit for the year attributable to owners of the parent		**75,478**	75,784
Profit attributable to non-controlling interests:			
— from a discontinued operation		**1,812**	1,696
		77,290	77,480
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
— For profit for the year		**9.89**	10.71
— For profit for the year from continuing operations		**11.77**	10.35
Diluted			
— For profit for the year		**9.88**	10.68
— For profit for the year from continuing operations		**11.75**	10.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**77,290**	77,480
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	**(3,505)**	(9,953)
Reclassification adjustments for deregistration of subsidiaries	**1,013**	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(2,492)**	(9,953)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**74,798**	67,527
Attributable to:		
Owners of the parent	**72,986**	65,831
Non-controlling interests	**1,812**	1,696
	74,798	67,527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**147,405**	102,683
Prepaid land lease payments	12	**—**	10,920
Goodwill		**—**	15,447
Intangible assets		**419**	2,873
Deposits paid for purchases of items of property, plant and equipment		**10,324**	3,602
Prepayments, deposits and other receivables		**5,024**	3,819
Deferred tax assets		**2,460**	2,783
Total non-current assets		**165,632**	142,127
CURRENT ASSETS			
Inventories		**125,748**	205,795
Trade receivables	13	**118,855**	163,848
Prepaid land lease payments	12	**—**	393
Prepayments, deposits and other receivables		**12,852**	19,577
Tax recoverable		**205**	1,117
Cash and cash equivalents		**315,211**	328,684
Total current assets		**572,871**	719,414
CURRENT LIABILITIES			
Trade and bills payables	14	**73,567**	91,240
Accruals and other payables		**50,854**	49,904
Derivative financial instruments		**568**	—
Interest-bearing bank borrowings		**26,154**	139,003
Lease liabilities	2.2	**14,966**	—
Tax payable		**3,655**	4,079
Total current liabilities		**169,764**	284,226
NET CURRENT ASSETS		**403,107**	435,188
TOTAL ASSETS LESS CURRENT LIABILITIES		**568,739**	577,315

	Notes	**2019** *HK$'000*	2018 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**—**	17,217
Lease liabilities	2.2	**12,709**	—
Deferred tax liabilities		**6,295**	5,771
Total non-current liabilities		**19,004**	22,988
Net assets		**549,735**	554,327
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	**76,394**	76,207
Reserves		**473,341**	460,301
		549,735	536,508
Non-controlling interests		**—**	17,819
Total equity		**549,735**	554,327

NOTES:

1. CORPORATE AND GROUP INFORMATION

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

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

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

On 29 November 2019, the Group disposed of its 60% equity interest in Whole Sun Limited to its non-controlling shareholder of Whole Sun Limited for a consideration of HK$27,840,000. Whole Sun Limited is engaged in trading of frozen meat in Hong Kong. Further details are set out in note 8 below.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's results of operation and financial position, except for HKFRS 16 *Leases* ("**HKFRS 16**") as described below.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases* ("**HKAS 17**"), HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* ("**HK (IFRIC)-Int 4**"), HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises deprecation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 *Impairment of Assets* on that date. The Group elected to present the right-of-use assets as property, plant and equipment in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 were as follows:

Statement of Financial Position	**At 31 December 2018**	**Restatement adjustment on adoption of HKFRS 16**	**At 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Property, plant and equipment	102,683	29,553	132,236
Prepaid land lease payments	11,313	(11,313)	—
Total assets	113,996	18,240	132,236
Liabilities			
Current lease liabilities	—	7,855	7,855
Non-current lease liabilities	—	10,385	10,385
Total liabilities	—	18,240	18,240

A reconciliation of the operating lease commitments as at 31 December 2018 to the lease liabilities as at 1 January 2019 is as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	**21,320**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(3,506)
Add: Payments for optional extension periods not recognised as at 31 December 2018	1,463
	19,277
Weighted average incremental borrowing rate as at 1 January 2019	3.64%
Lease liabilities as at 1 January 2019	**18,240**

3. OPERATING SEGMENT INFORMATION

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

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

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

During the year, the Group disposed of its frozen meat business in Hong Kong which was included in Food Products segment in the year ended 31 December 2018. Since the frozen meat business represented a major line of Food Products segment of the Group's business in Hong Kong, the frozen meat business was regarded as a discontinued operation in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Accordingly, the related financial information of the frozen meat business was not included in the operating segment information from the continuing operations and the comparative information was also reclassified to conform with the current year's presentation. Further details of the discontinued operation are set out in note 8.

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

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

Segment liabilities exclude derivative financial instruments, interest-bearing bank borrowings other than trust receipt loans, other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
Year ended 31 December 2019			
Segment revenue			
Sales to external customers	**765,612**	**19,386**	**784,998**
Segment results	**126,145**	**1,973**	**128,118**
Reconciliation:			
Interest income			**5,094**
Corporate and unallocated expenses, net			**(19,395)**
Finance costs			**(2,538)**
Profit before tax from continuing operations			**111,279**
Other segment information:			
Depreciation and amortisation	**33,164**	**—**	**33,164**
Reversal of impairment of trade receivables	**(351)**	**—**	**(351)**
Impairment of trade receivables	**775**	**69**	**844**
Write-off of trade receivables	**230**	**—**	**230**
Write-down of inventories to net realisable value	**851**	**102**	**953**
Write-off of inventories	**628**	**404**	**1,032**
Loss on disposal of items of property, plant and equipment	**91**	**—**	**91**
Capital expenditure*	**37,445**	**—**	**37,445**

* The capital expenditure includes purchases of property, plant and equipment of HK$28,865,000 and deposits for purchases of property, plant and equipment of HK$8,580,000 incurred for continuing operations.

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
As at 31 December 2019			
Segment assets	**390,144**	**30,875**	**421,019**
Reconciliation:			
Corporate and unallocated assets			**317,484**
Total assets			**738,503**
Segment liabilities	**182,413**	**1,134**	**183,547**
Reconciliation:			
Corporate and unallocated liabilities			**5,221**
Total liabilities			**188,768**

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
Year ended 31 December 2018			
Segment revenue			
Sales to external customers	808,734	22,338	831,072
Segment results	121,142	2,889	124,031
Reconciliation:			
Interest income			2,857
Corporate and unallocated expenses, net			(29,727)
Finance costs			(4,513)
Profit before tax from continuing operations			92,648
Other segment information:			
Depreciation and amortisation	22,861	—	22,861
Reversal of impairment of trade receivables	(10)	(15)	(25)
Impairment of trade receivables	7,475	24	7,499
Write-off of trade receivables	484	—	484
Write-down of inventories to net realisable value	848	182	1,030
Write-off of inventories	736	440	1,176
Loss on disposal of items of property, plant and equipment	484	—	484
Capital expenditure*	21,976	—	21,976

* The capital expenditure includes purchases of property, plant and equipment of HK$19,699,000 and deposits for purchases of property, plant and equipment of HK$2,277,000 incurred for continuing operations.

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
As at 31 December 2018			
Segment assets	405,459	11,566	417,025
Reconciliation:			
Corporate and unallocated assets			323,340
Assets related to a discontinued operation			121,176
Total assets			861,541
Segment liabilities	170,629	2,285	172,914
Reconciliation:			
Corporate and unallocated liabilities			76,164
Liabilities related to a discontinued operation			58,136
Total liabilities			307,214

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**498,965**	499,031
Mainland China	**267,032**	313,985
Others	**19,001**	18,056
	784,998	831,072

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**82,909**	43,634
Mainland China	**78,027**	76,265
	160,936	119,899

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

Information about a major customer

During the year, the Group's revenue from sales to an external customer from continuing operations, which is over 10% of the total revenue, amounted to HK$199,639,000 (2018: HK$234,823,000).

4. REVENUE AND OTHER INCOME

Revenue

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

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

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
Year ended 31 December 2018			
Type of goods or service			
Sales of coffee, tea and other related complementary products	786,538	—	786,538
Sales of frozen processed food	—	22,338	22,338
Rental income from leasing of coffee and tea machines	21,945	—	21,945
Food and beverage store operations	251	—	251
Total revenue from contracts with customers	808,734	22,338	831,072
Geographical markets			
Hong Kong	481,030	18,001	499,031
Mainland China	309,648	4,337	313,985
Others	18,056	—	18,056
Total revenue from contracts with customers	808,734	22,338	831,072
Timing of revenue recognition			
Goods transferred at a point in time	786,789	22,338	809,127
Services transferred over time	21,945	—	21,945
Total revenue from contracts with customers	808,734	22,338	831,072

Other income

An analysis of other income from continuing operations is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Bank interest income	**5,094**	2,857
Others	**33**	111
	5,127	2,968

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Interest on bank borrowings	**2,538**	4,513
Interest on lease liabilities	**971**	—
	3,509	4,513

6. PROFIT BEFORE TAX

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

	2019 *HK$'000*	2018 *HK$'000*
Listing-related expenses	**—**	6,791
Depreciation:		
Right-of-use assets	**11,328**	—
Other items of property, plant and equipment	**21,725**	22,336
	33,053	22,336
Amortisation of intangible assets	**111**	116
Amortisation of prepaid land lease payments	**—**	409
Lease payments not included in the measurement of lease liabilities/ minimum lease payments under operating leases	**3,830**	11,386
Foreign exchange differences, net*	**719**	420
Reversal of impairment of trade receivables*	**(351)**	(25)
Impairment of trade receivables*	**844**	7,499
Write-off of trade receivables*	**230**	484
Write-down of inventories to net realisable value*	**953**	1,030
Write-off of inventories*	**1,032**	1,176
Loss on disposal of items of property, plant and equipment*	**91**	484
Loss on change in fair value of derivative financial instruments*	**573**	—
Loss on deregistration of subsidiaries*	**1,013**	—

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

7. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2018: 25%).

	2019	2018
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**11,675**	10,633
Overprovision in prior years	**(205)**	(41)
Current — Mainland China		
Charge for the year	**9,193**	9,590
(Overprovision)/underprovision in prior years	**(502)**	21
Deferred	**1,305**	(795)
Total tax charge for the year from continuing operations	**21,466**	19,408
Total tax charge for the year from a discontinued operation	**703**	792
	22,169	20,200

8. DISCONTINUED OPERATION

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

The results of the Disposed Frozen Food Business for the years ended 31 December 2018 and 2019 (up to the date of disposal) are presented below:

	2019	2018
	HK$'000	*HK$'000*
Revenue	**225,727**	240,160
Cost of sales	**(207,537)**	(221,210)
Gross profit	**18,190**	18,950
Other income, net	**42**	1
Selling and distribution expenses	**(3,261)**	(3,118)
Administrative expenses	**(8,527)**	(8,379)
Other expenses, net	**(168)**	(930)
Finance costs	**(1,043)**	(1,492)
Profit from the discontinued operation	**5,233**	5,032
Loss on disposal of the discontinued operation	**(17,053)**	—
(Loss)/profit before tax from the discontinued operation	**(11,820)**	5,032
Income tax expense	**(703)**	(792)
(Loss)/profit for the year from the discontinued operation	**(12,523)**	4,240
Attributable to:		
Owners of the parent	**(14,335)**	2,544
Non-controlling interests	**1,812**	1,696
	(12,523)	4,240

9. DIVIDENDS

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

	2019	2018
	HK$'000	*HK$'000*
2017 final dividend — HK1.62 cents per ordinary share	**—**	10,000
2018 interim dividend — HK1.31 cents per ordinary share	**—**	8,093
2018 final dividend — HK5.78 cents per ordinary share	**44,066**	—
2019 interim dividend — HK2.52 cents per ordinary share	**19,245**	—
	63,311	18,093
Dividend proposed after the end of the reporting period:		
Proposed final dividend — HK3.33 cents (2018: HK5.78 cents) per ordinary share	**25,094**	44,066

The proposed final dividend for the year ended 31 December 2019 has been calculated by reference to 753,565,912 shares in issue on 5 March 2020 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the year is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 762,931,000 (2018: 707,571,000) in issue during the year.

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

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

	2019 *HK$'000*	2018 *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**89,813**	73,240
From a discontinued operation	**(14,335)**	2,544
	75,478	75,784
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue and issuable during the year, used in the basic earnings per share calculation	**762,931**	707,571
Effect of dilution — weighted average number of ordinary shares:		
Share options	**1,371**	1,737
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**764,302**	709,308

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2019, the Group incurred additions of property, plant and equipment of HK$30,663,000 (2018: HK$21,823,000) and recognised additions to additions to right-of-use assets of HK$20,637,000 (2018: Nil).

As at 31 December 2019, right-of-use assets amounted to HK$38,063,000 (2018: Nil) were included in property, plant and equipment.

12. PREPAID LAND LEASE PAYMENTS

Included in the Group's right-of-use assets (2018: prepaid land lease) is a piece of leasehold land (the "**Leasehold Land**") situated in Mainland China under collective-owned land ownership (集體土地使用) with a carrying value of HK$3,542,000 (31 December 2018: HK$3,746,000). The Group also had items of property, plant and equipment attached to the Leasehold Land (the "**Attached Properties**") amounting to HK$3,084,000 (31 December 2018: HK$3,262,000). The Attached Properties, for which the Group was authorised to obtain the real estate ownership certificates, are mainly served as staff quarters of the Group. To facilitate the Group's future development plan, the Group decided to apply to the relevant Mainland China authorities to change the ownership type of the Leasehold Land from collective-owned land ownership to state-owned land ownership (國有土地使用). In the prior years, the Group commenced the necessary procedures to change the ownership type of the Leasehold Land in accordance with the Mainland China regulations and returned the land use right certificate for the collective-owned land ownership to the Mainland China government.

Up to the date of this announcement, the Group continues to use the Leasehold Land and the Attached Properties without objection from relevant authorities. In the opinion of the Directors, having considered the legal advice from the Group's PRC legal advisors, the risk of having to relocate the Group's operation from the Leasehold Land is considered to be relatively low.

During the year ended 31 December 2019, the prepaid land lease payments were reclassified to right-of-use assets included in property, plant and equipment upon adoption of HKFRS 16. Further details of which are set out in note 2.2 above.

13. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**126,940**	173,660
Impairment	**(8,085)**	(9,812)
	118,855	163,848

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

An ageing analysis of the trade receivables based on the invoice date and net of loss allowances, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**63,637**	104,818
31 to 60 days	**36,861**	39,125
61 to 90 days	**10,556**	11,414
91 to 120 days	**3,970**	6,570
121 to 180 days	**1,261**	1,012
Over 180 days	**2,570**	909
	118,855	163,848

14. TRADE AND BILLS PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**70,653**	89,118
1 to 2 months	**2,010**	1,050
2 to 3 months	**3**	62
Over 3 months	**901**	1,010
	73,567	91,240

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

15. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
763,937,312 (2018: 762,071,112) ordinary shares of HK$0.10 each	**76,394**	76,207

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

	Notes	Number of shares	Share capital HK$'000
Authorised:			
At 1 January 2018, at 31 December 2018, at 1 January 2019 and at 31 December 2019		2,000,000,000	200,000
Issued and fully paid:			
At 1 January 2018		617,750,000	61,775
Issue of shares under initial public offering	(a)	142,109,312	14,211
Issue of shares upon exercise of share options	(b)	2,211,800	221
At 31 December 2018 and at 1 January 2019		762,071,112	76,207
Issue of shares upon exercise of share options	(b)	1,866,200	187
At 31 December 2019		763,937,312	76,394

Notes:

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

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

(b) During the year ended 31 December 2019, the subscriptions right attaching to 1,866,200 (2018: 2,211,800) share options were exercised at the subscription price of HK$0.594 (2018: HK$0.594) per share, resulting in the issue of 1,866,200 (2018: 2,211,800) ordinary shares of par value of HK$0.10 each for a total cash consideration, before expenses, of HK$1,109,000 (2018: HK$1,313,000). An amount of HK$3,440,000 (2018: HK$4,147,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

MANAGEMENT DISCUSSION AND ANALYSIS

Being a leading integrated B2B coffee and black tea solutions provider in Hong Kong, Macau and Mainland China providing one-stop coffee and tea solutions to commercial customers covering the entire value chain from coffee and tea procurement, processing and distribution, the Group has also expanded its foods segment during the past few years. In order to (i) align with its overall business strategy to develop the food products business in the "business to business" ("**B2B**") market by leveraging on its existing sales network and to create a synergy with the Group's beverage products; and (ii) allow the Group to deploy more capital and time on other business opportunities that can entail higher margin, the Group disposed of its entire 60% shareholding interest in one of its subsidiaries, Whole Sun Limited, to a minority shareholder of that company at a consideration of HK$27.8 million in November 2019. Whole Sun Limited is engaged in trading of frozen meat in Hong Kong and the frozen meat business represented a major line of the Group's business. Following the completion of the disposal, Whole Sun Limited ceased to be the Group's subsidiary. To give a better picture for the Group's continuing operations, the disposed business undertaken by Whole Sun Limited is not included in the "Food Products" segment for operating segment information for the current and prior reporting periods.

In addition, the Group has also diversified its sales lead by starting its online sales platform on Tmall.com in December 2019 and such online sales platform would enable the Group to reach out to more retail customers and widen its customers base.

For the year ended 31 December 2019, the Group recorded a total revenue from continuing operations of HK$785.0 million, representing a decrease of HK$46.1 million, or 5.5%, compared to the year ended 31 December 2018. The decrease in revenue was primarily attributable to the decrease in revenue derived from beverage solutions business, and to a lesser extent, the decrease in revenue derived from the food products business. Gross profit from continuing operations for the year ended 31 December 2019 amounted to HK$309.8 million, representing a decrease of HK$4.4 million, or 1.4%, compared to the year ended 31 December 2018. Gross profit margin increased from 37.8% for the year ended 31 December 2018 to 39.5% for the year ended 31 December 2019.

Beverage solutions

Revenue from the beverage solutions segment decreased by HK$43.1 million, or 5.3%, from HK$808.7 million for the year ended 31 December 2018 to HK$765.6 million for the year ended 31 December 2019. The decrease was primarily due to the decrease in revenue derived from instant beverage mix products in Mainland China. Gross profit decreased by HK$3.1 million, or 1.0%, from HK$308.1 million for the year ended 31 December 2018 to HK$305.0 million for the year ended 31 December 2019, mainly in line with the decrease in revenue. Gross profit margin of the beverage solutions business increased from 38.1% for the year ended 31 December 2018 to 39.8% for the year ended 31 December 2019, primarily because of the relatively higher gross profit margin generated from coffee and tea products.

Food products

Revenue from the food products segment decreased by HK$2.9 million, or 13.2%, from HK$22.3 million for the year ended 31 December 2018 to HK$19.4 million for the year ended 31 December 2019. The decrease was primarily because of the decrease in revenue derived from Mainland China. Gross profit decreased by HK$1.1 million or 19.2% from HK$6.0 million for the year ended 31 December 2018 to HK$4.9 million for the year ended 31 December 2019 and gross profit margin decreased from 27.1% for the year ended 31 December 2018 to 25.2% for the year ended 31 December 2019, primarily due to the change of product mix.

REVENUE BY GEOGRAPHIC LOCATIONS

Hong Kong

For the years ended 31 December 2018 and 2019, revenue generated in Hong Kong maintained at HK$499.0 million, which was a result of increase in sales of coffee, tea and milk products, offset by the decrease in sales of groceries items.

Mainland China

For the year ended 31 December 2019, revenue generated in Mainland China decreased by HK$47.0 million, or 15.0%, from HK$314.0 million for the year ended 31 December 2018 to HK$267.0 million for the year ended 31 December 2019. The decrease in revenue was primarily due to the decrease in sales volume of instant beverage mix products.

Others

In addition, the Group also sells a small portion of our products to Macau and other overseas countries including Canada, Taiwan, Australia, Malaysia and Philippines through distributors. For the year ended 31 December 2019, revenue generated in others increased by HK$0.9 million, or 5.2%, from HK$18.1 million for the year ended 31 December 2018 to HK$19.0 million for the year ended 31 December 2019. The increase in revenue was primarily as a result of growth in customers' demand in Macau.

BUSINESS PROSPECT

Other than focusing on the Group's core business as an integrated B2B coffee and black tea solutions provider in Hong Kong, Macau and Mainland China, it will continue to strengthen its market penetration of the food products.

The Group will expand its customer base by extending its presence in Shanghai and three cities in the Greater Bay Area, namely Shenzhen, Dongguan and Guangzhou by exploring business opportunities and strategic partnership with more caterers, restaurant groups and beverage chains etc. in Mainland China. Meanwhile, the Group will also further extend the product-mix by exploring and sourcing high-quality food and beverage products that carry great potential from other countries to ensure the Group is on the cutting edge of the food and beverage solutions provider industry.

Seeing the upcoming trend of online consumption, the Group will further expand its sales through online channel. Other than the online platform that sells the products of the Group, the Group intends to invite its strategic partners and other international brands to trade and sell their food and beverage products on another online platform that will be launched and managed by the Group in the near future.

The Group aims to branch out its frozen processed food business by offering meat processing services and increasing the varieties of processed food products to caterers and customers. Building on the Group's experience in providing frozen meat and frozen processed food, the long-standing partnership with suppliers and a well-established network of clients and distributors, the Board believes that the tailor-made frozen and chilled food business can earn recognition from both corporate and individual customers, thereby enhancing the Group's share in the food and beverage market.

With the economic uncertainties caused by a number of factors such as social movements, outbreak of COVID-19 and U.S.-China trade war, it is expected that the catering industry in Hong Kong and Mainland China will face a lot of challenges in the forthcoming year. With the interruption brought by COVID-19, the Group's financial results may be affected due to the general market condition. Having said that, the Group has strived its best to ensure the operation of its factories in Hong Kong and Mainland China are functioning and it has managed to maintain stable supply of goods and services to the customers as at the date of this announcement. In view of the challenging business environment, the Group will continue to strictly monitor the recoverability of receivables and keep close contact with its suppliers to safeguard the stable supply of products. The Group will get prepared to overcome any hurdle ahead and realize its value to the Shareholders and business partners.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by HK$46.1 million, or 5.5%, from HK$831.1 million for the year ended 31 December 2018 to HK$785.0 million for the year ended 31 December 2019. The decrease was primarily due to the decrease in revenue derived from the beverage solutions business in Mainland China as a result of decrease in the sales volume of instant beverage mix products, and to a lesser extent, the decrease in revenue derived from the food products business.

Cost of sales

The Group's cost of sales decreased by HK$41.7 million, or 8.1%, from HK$516.9 million for the year ended 31 December 2018 to HK$475.2 million for the year ended 31 December 2019. The decrease in the cost of sales was primarily a result of the decrease in raw material costs for the beverage solutions products, which was in line with the decrease in revenue.

Gross profit and gross profit margin

The Group's gross profit decreased by HK$4.4 million, or 1.4%, from HK$314.2 million for the year ended 31 December 2018 to HK$309.8 million for the year ended 31 December 2019. The Group's gross profit margin increased from 37.8% for the year ended 31 December 2018 to 39.5% for the year ended 31 December 2019.

Other income

The Group's other income, increased by HK$2.1 million from HK$3.0 million for the year ended 31 December 2018 to HK$5.1 million for the year ended 31 December 2019. The increase was primarily a result of increase in bank interest income received from time deposits on the unutilised net proceeds from the offer of Shares (the "**Net Proceeds**") in connection with the listing of Shares on the Stock Exchange (the "**Listing**").

Selling and distribution expenses

The Group's selling and distribution expenses decreased by HK$1.2 million, or 1.1%, from HK$117.1 million for the year ended 31 December 2018 to HK$115.9 million for the year ended 31 December 2019, primarily due to decrease in (i) marketing and promotion expenses; and (ii) logistics expenses, which were generally in line with the decrease in revenue.

Administrative expenses

The Group's administrative expenses decreased by HK$12.6 million, or 13.7%, from HK$91.8 million for the year ended 31 December 2018 to HK$79.2 million for the year ended 31 December 2019. The decrease was primarily a result of (i) there was a non-recurring consultancy and professional fee of HK$6.8 million, which was incurred in relation to the Listing during the year ended 31 December 2018, and (ii) decrease in recognition of share-based payment expense relating to the pre-IPO share option scheme adopted by the Company (the "**Pre-IPO Share Option Scheme**").

Other expenses, net

The Group's other expenses, net, decreased significantly by HK$6.0 million from HK$11.1 million for the year ended 31 December 2018 to HK$5.1 million for the year ended 31 December 2019. The decrease was mainly due to the decrease in impairment of trade receivables.

Finance costs

The Group's finance costs decreased by HK$1.0 million, or 22.2%, from HK$4.5 million for the year ended 31 December 2018 to HK$3.5 million for the year ended 31 December 2019. The decrease was primarily a result of the decrease in interest-bearing bank borrowings.

Income tax expense

The Group's income tax expense increased by HK$2.1 million, or 10.6%, from HK$19.4 million for the year ended 31 December 2018 to HK$21.5 million for the year ended 31 December 2019, mainly due to the increase in profit before tax. The Group's effective income tax rate decreased from 20.9% for the year ended 31 December 2018 to 19.3% for the year ended 31 December 2019.

Profit for the year from continuing operations and net profit margin

As a result of the foregoing, the Group's profit for the year from continuing operations increased by HK$16.6 million, or 22.6%, from HK$73.2 million for the year ended 31 December 2018 to HK$89.8 million for the year ended 31 December 2019. The Group's net profit margin increased from 8.8% for the year ended 31 December 2018 to 11.4% for the year ended 31 December 2019.

Adjusted profit for the year from continuing operations attributable to owners of the parent

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

	Year ended 31 December	
	2019	2018
	(HK$'000)	*(HK$'000)*
Profit for the year from continuing operations attributable to owners of the parent	**89,813**	73,240
Plus:		
Listing-related expenses	—	6,791
Share-based payment expense relating to the Pre-IPO Share Option Scheme	**2,443**	7,405
Loss on deregistration of subsidiaries	**1,013**	—
Adjusted profit for the year from continuing operations attributable to owners of the parent	**93,269**	87,436

The Group's adjusted profit attributable to owners of the parent from continuing operations for the year ended 31 December 2019 would amount to HK$93.3 million, representing an increase of HK$5.9 million or 6.7%, as compared to HK$87.4 million for the year ended 31 December 2018.

Note: Adjusted profit for the year attributable to owners of the parent from continuing operations is a non-HKFRS financial measurement which, in the opinion of the Directors, eliminates the effect of a number of non-recurring expenses and losses and certain non-cash charges, including (i) Listing-related expenses; (ii) share-based payment expense relating to the Pre-IPO Share Option Scheme; and (iii) loss on deregistration of subsidiaries, and excluding any tax effects related to the preceding judgements, in order to give shareholders a proxy of the operating profit generated from ordinary course of business.

Loss/profit from a discontinued operation

Loss from a discontinued operation for the year ended 31 December 2019 was HK$12.5 million as compared to a profit of HK$4.2 million for the year ended 31 December 2018. The change was primarily a result of the loss on disposal of business undertaken by Whole Sun Limited in November 2019 which mainly represented the loss of goodwill associated with the business of the discontinued operation.

Capital Expenditure and Commitments

During the year ended 31 December 2019, the Group incurred additions of property, plant and equipment of HK$30.7 million (year ended 31 December 2018: HK$21.8 million). A substantial portion of the Group's capital expenditures were incurred in relation to the purchase of coffee machines which were leased to the Group's customers.

As at 31 December 2019, the Group had capital commitment of HK$6.2 million (31 December 2018: HK$0.6 million), mainly comprising the related contracts of capital expenditure in production machineries and enhancement of facilities.

Borrowings

As at 31 December 2019, the Group had total interest-bearing bank borrowings of HK$26.2 million (31 December 2018: HK$156.2 million).

Contingent Liabilities

Contingent liabilities as at 31 December 2019 will be disclosed in the notes to the financial statements in the annual report.

Gearing Ratio

As at 31 December 2019, on the basis of total interest-bearing bank borrowings divided by equity attributable to owners of the parent, the Group's gearing ratio was 4.8% (31 December 2018: 29.1%). The decrease in gearing ratio was primarily due to settlement of interest-bearing bank borrowings.

Foreign Currency Risk

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

Interest Rate Risk

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

Credit Risk

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

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

Liquidity Risk

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

HUMAN RESOURCES

As at 31 December 2019, the Group employed 219 and 299 (31 December 2018: 230 and 286) employees in Hong Kong and Mainland China, respectively.

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

During the year ended 31 December 2019, the Group provided various trainings to its employees ranging from operation skill such as occupational safety training and machine control training to professional knowledge including management system and business knowledge, to ensure the effective implementation of the Group's business strategy.

USE OF PROCEEDS FROM LISTING

The proceeds from the Listing, after deducting underwriting commissions and all related expenses, amounted to HK$232.6 million. As at the date of this announcement, the Company does not anticipate any change to its plan on the use of Net Proceeds as stated in its prospectus dated 30 April 2018 (the "**Prospectus**").

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

During the period from the Listing Date to 31 December 2018 and the year ended 31 December 2019, a total of HK$33.0 million and HK$47.9 million, respectively, were utilised according to the intended use of Net Proceeds as stated in the Prospectus. For details of the utilisation on each of the intended use of Net Proceeds, please refer to the Company's 2019 annual report.

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

DIVIDEND

The Board has proposed the payment of a final dividend of HK3.33 cents per ordinary Share in respect of the year ended 31 December 2019 (2018: HK5.78 cents per ordinary Share), to shareholders whose names appear on the register of members of the Company on Wednesday, 29 April 2020. The total payout will amount to HK$25.1 million (2018: HK$44.1 million). The proposed dividend will be paid on or around Friday, 22 May 2020, subject to approval of the shareholders at the forthcoming annual general meeting of the Company (the "**AGM**").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20 April 2020 to Thursday, 23 April 2020, both days inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 17 April 2020.

In addition, in order to determine the entitlement of the shareholders to receive the proposed final dividend, if approved, the register of members of the Company will be closed on Wednesday, 29 April 2020, during which no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28 April 2020.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") on 15 December 2017 with terms of reference in compliance with Rules 3.21 and 3.22 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and code provision C.3 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**"). The Audit Committee consists of three independent non-executive Directors, namely Mr. Tang Kwai Chang (Chairman), Mr. Chow Alexander Yue Nong and Mr. Wong Man Fai. The Audit Committee reviewed with the management the accounting policies and practices adopted by the Company and discussed the auditing, internal control and financial reporting matters.

The Audit Committee has reviewed the Group's consolidated financial statements and annual results for the year ended 31 December 2019. The Audit Committee is of the view that the financial statements have been prepared in accordance with the applicable accounting standards and in compliance with the Listing Rules and relevant statutory provisions, and is satisfied that sufficient disclosure has been made.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's auditor, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2019. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by the Company's auditor on this announcement.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Subsequent to the end of the reporting period (i.e. 31 December 2019) and up to the date of this announcement, the Company purchased 10,918,000 Shares on the Stock Exchange for a total cash consideration of HK$12,919,000. The purchased Shares have been cancelled as at the date of this announcement and the total amount paid for the purchase of Shares has been charged to retained profits of the Company.

PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 23 April 2020, for the purpose of, among other things, approving the payment for a final dividend of HK3.33 cents per ordinary Share. For details of the AGM, please refer to the Notice of AGM, which will be published and issued to the shareholders in due course.

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the code provisions as set out in the CG Code during the period from the Listing Date to 31 December 2019, ensuring that the Company is up to the requirements as being diligent, accountable and professional, except for a deviation from code provision A.2.1 of the CG Code in respect of the roles of chairman and chief executive officer of the Company.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted its own Securities Dealing Code (the "**Code**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules. The Code is also applicable to the specified group of employees who may possess or have access to price sensitive information. Specific enquiries were made to all Directors, and all Directors have confirmed compliance with the required standard set out in the Code throughout the year ended 31 December 2019.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.twcoffee.com). The annual report of the Company for the year ended 31 December 2019 will be dispatched to shareholders of the Company and published on the aforesaid websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to thank the shareholders, customers and business partners for their ongoing support, and our Directors, management and employees for their dedication and contributions to our progress.

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

Hong Kong, 5 March 2020

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