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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 2018

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2018 amounted to HK$535.5 million, representing an increase of 17.0% from HK$457.6 million for the corresponding period in 2017.

- Gross profit for the six months ended 30 June 2018 amounted to HK$166.4 million, representing an increase of 18.1% from HK$140.9 million for the corresponding period in 2017.

- Profit attributable to owners of the parent for the six months ended 30 June 2018 amounted to HK$31.8 million, representing a mild decrease of 0.4% from HK$31.9 million for the corresponding period in 2017.

- Adjusted profit attributable to owners of the parent[1] for the six months ended 30 June 2018 would amount to HK$43.4 million, representing an increase of 5.9% from HK$41.0 million for the corresponding period in 2017.

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

* *for identification purposes only*

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 2018, together with the comparative figures for the corresponding period in 2017 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	4	**535,507**	457,591
Cost of sales		**(369,078)**	(316,652)
Gross profit		**166,429**	140,939
Other income and gains, net	4	**765**	2,238
Selling and distribution expenses		**(60,284)**	(50,614)
Administrative expenses		**(56,803)**	(47,979)
Other expenses, net		**(4,276)**	(1,726)
Finance costs	5	**(3,082)**	(1,758)
PROFIT BEFORE TAX	6	**42,749**	41,100
Income tax expense	7	**(10,190)**	(8,312)
PROFIT FOR THE PERIOD		**32,559**	32,788
Attributable to:			
Owners of the parent		**31,783**	31,899
Non-controlling interests		**776**	889
		32,559	32,788
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**4.87**	5.17
Diluted		**4.85**	5.17

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**32,559**	32,788
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,058)**	4,764
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**29,501**	37,552
Attributable to:		
Owners of the parent	**28,725**	36,663
Non-controlling interests	**776**	889
	29,501	37,552

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	**As at 30 June 2018 (Unaudited)** ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**105,391**	108,021
Prepaid land lease payments	11	**11,552**	11,931
Goodwill		**15,447**	15,447
Intangible assets		**3,952**	5,020
Deposits paid for purchases of items of property, plant and equipment		**3,096**	2,760
Prepayments, deposits and other receivables		**4,326**	3,616
Deferred tax assets		**260**	678
Total non-current assets		**144,024**	147,473
CURRENT ASSETS			
Inventories	12	**194,409**	195,370
Trade receivables	13	**141,697**	170,353
Prepaid land lease payments	11	**409**	415
Prepayments, deposits and other receivables		**23,262**	19,885
Tax recoverable		**362**	2,352
Cash and cash equivalents		**326,805**	45,613
Total current assets		**686,944**	433,988
CURRENT LIABILITIES			
Trade and bills payables	14	**76,305**	91,624
Accruals and other payables		**50,136**	59,187
Interest-bearing bank borrowings	15	**144,366**	138,800
Tax payable		**5,431**	2,349
Total current liabilities		**276,238**	291,960
NET CURRENT ASSETS		**410,706**	142,028
TOTAL ASSETS LESS CURRENT LIABILITIES		**554,730**	289,501

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2018

	Notes	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	**35,083**	52,759
Deferred tax liabilities		**4,724**	4,682
Total non-current liabilities		**39,807**	57,441
Net assets		**514,923**	232,060
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**76,109**	61,775
Reserves		**420,147**	152,394
		496,256	214,169
Non-controlling interests		**18,667**	17,891
Total equity		**514,923**	232,060

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Tsit Wing International Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, 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. During the period, the Company's subsidiaries were engaged in the following principal activities:

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

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standards ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The unaudited 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 consolidated financial statements for the year ended 31 December 2017 included in the prospectus of the Company dated 30 April 2018 (the "**Prospectus**"). The unaudited 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 condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**"), which are effective for the first time for the annual periods beginning on or after 1 January 2018.

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

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

HKFRS 9 *Financial Instruments*

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group adopted HKFRS 9 from 1 January 2018. The Group recognised any transition adjustments against the opening balance of equity at 1 January 2018 and has not restated comparative information. Therefore, the comparative information for corresponding period in 2017 which was reported under HKAS 39 *Financial Instruments: Recognition and Measurement* is not comparable to the information presented for the six months ended 30 June 2018. The adoption of HKFRS 9 had no significant impact on the classification and measurement of its financial assets. The impacts arising from the adoption of HKFRS 9 relate to the impairment requirements.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained profits as of 1 January 2018 and the affected assets/liabilities are disclosed below:

Condensed Consolidated Statement of Financial Position	**At 31 December 2017**	**Restatement adjustment on adoption of HKFRS 9**	**At 1 January 2018**
	(Audited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Trade receivables	170,353	1,508	171,861
Equity			
Reserves	152,394	1,508	153,902

HKFRS 15 and Amendments to HKFRS 15

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard superseded all previous revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group adopted the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2018. In addition, the Group applied the new requirements only to contracts that were not completed before 1 January 2018.

The Group's principal activities consist of the processing and sale of coffee, tea and related complementary products; sale of frozen meat and frozen processed food; sale and rental of coffee and tea machines and food and beverage store operations. The impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Revenue recognition

Sale of goods

The Group recognises revenue from sale of goods based on the consideration specified in a contract with customer and excludes amounts collected on behalf of third parties. The Group satisfies a performance obligation when it transfers control of the products to the customer, generally on delivery of the goods. Revenue is recognised at the point in time.

Leasing of coffee and tea machines

The leasing of coffee and tea machines is a single performance obligation and the Group satisfies its performance obligation over time in accordance with the terms of respective underlying agreements.

Sale of goods with rental of machines

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

The Group assessed that the rental of coffee and tea machines bundled together with the sale of coffee and tea products are distinct and are considered as separate performance obligations under HKFRS 15. The Group performed an allocation of contract consideration based on the relative stand-alone selling prices of the coffee and tea products and rental of coffee and tea machines. As a result, the sales of goods for the six months ended 30 June 2017 decreased with a corresponding increase in the rental income from leasing of coffee and tea machines as shown below:

	As previously stated *HK$'000*	**Adjustment upon adoption of HKFRS 15** *HK$'000*	**As restated** *HK$'000*
Sales of coffee, tea and related complementary products	350,491	(9,015)	341,476
Sales of frozen meat and frozen processed food	105,308	—	105,308
Food and beverage store operations	187	—	187
Rental income from leasing of coffee and tea machines	1,605	9,015	10,620
	457,591		457,591

(b) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under previous HKAS 18 *Revenue*. Under HKFRS 15, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

	Beverage Solutions *HK$'000*	**Food Products** *HK$'000*	**Total** *HK$'000*
Six months ended 30 June 2018 (unaudited)			
Segment revenue:			
Sales to external customers	**404,439**	**131,068**	**535,507**
Segment results	**60,264**	**4,410**	**64,674**
Reconciliation:			
Interest income			**603**
Corporate and unallocated expenses, net			**(19,446)**
Finance costs			**(3,082)**
Profit before tax			**42,749**
Other segment information:			
Depreciation and amortisation	**12,754**	**82**	**12,836**
Impairment of trade receivables	**1,550**	**5**	**1,555**
Reversal of impairment of trade receivables	**(11)**	**(79)**	**(90)**
Write-off of trade receivables	**100**	**211**	**311**
Write-down of inventories to net realisable value	**867**	**—**	**867**
Write-off of inventories	**526**	**—**	**526**
Capital expenditure*	**9,985**	**839**	**10,824**

* The capital expenditure includes purchases of property, plant and equipment of HK$9,399,000 and deposits for purchase of property, plant and equipment of HK$1,425,000.

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
As at 30 June 2018 (unaudited)			
Segment assets	**381,155**	**123,101**	**504,256**
Reconciliation:			
Elimination of intersegment receivables			**(666)**
Corporate and unallocated assets			**327,378**
Total assets			**830,968**
Segment liabilities	**154,343**	**57,159**	**211,502**
Reconciliation:			
Elimination of intersegment payables			**(666)**
Corporate and unallocated liabilities			**105,209**
Total liabilities			**316,045**

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
Six months ended 30 June 2017 (unaudited)			
Segment revenue:			
Sales to external customers	352,283	105,308	457,591
Intersegment sales	—	2,033	2,033
	352,283	107,341	459,624
Reconciliation:			
Elimination of intersegment sales			(2,033)
Sales to external customers			457,591
Segment results	49,121	5,762	54,883
Reconciliation:			
Interest income			446
Corporate and unallocated expenses, net			(12,471)
Finance costs			(1,758)
Profit before tax			41,100
Other segment information:			
Depreciation and amortisation	12,408	15	12,423
Impairment of trade receivables	513	50	563
Write-off of trade receivables	68	—	68
Write-down of inventories to net realisable value	114	904	1,018
Write-off of inventories	77	—	77
Capital expenditure*	9,991	—	9,991

* The capital expenditure includes purchases of property, plant and equipment of HK$7,240,000 and deposits for purchase of property, plant and equipment of HK$2,751,000.

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
As at 31 December 2017 (audited)			
Segment assets	408,230	127,146	535,376
Reconciliation:			
Elimination of intersegment receivables			(5,210)
Corporate and unallocated assets			51,295
Total assets			581,461
Segment liabilities	168,200	67,573	235,773
Reconciliation:			
Elimination of intersegment payables			(5,210)
Corporate and unallocated liabilities			118,838
Total liabilities			349,401

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**359,759**	336,125
Mainland China	**167,119**	113,366
Macau	**5,849**	5,193
Others	**2,780**	2,907
	535,507	457,591

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

(b) Non-current assets

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Hong Kong	**63,602**	62,565
Mainland China	**80,162**	84,230
	143,764	146,795

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

4. REVENUE AND OTHER INCOME AND GAINS, NET

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

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
Six months ended 30 June 2018 (unaudited)			
Type of goods or service			
Sales of coffee, tea and other related complementary products	**393,801**	**—**	**393,801**
Sales of frozen meat and frozen processed food	**—**	**131,068**	**131,068**
Food and beverage store operations	**151**	**—**	**151**
Rental income from leasing of coffee and tea machines	**10,487**	**—**	**10,487**
Total revenue from contract with customers	**404,439**	**131,068**	**535,507**
Geographical markets			
Hong Kong	**232,212**	**127,547**	**359,759**
Mainland China	**163,598**	**3,521**	**167,119**
Macau	**5,849**	**—**	**5,849**
Others	**2,780**	**—**	**2,780**
Total revenue from contract with customers	**404,439**	**131,068**	**535,507**
Timing of revenue recognition			
Goods transferred at a point in time	**393,952**	**131,068**	**525,020**
Services transferred over time	**10,487**	**—**	**10,487**
Total revenue from contract with customers	**404,439**	**131,068**	**535,507**

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
Six months ended 30 June 2017 (unaudited)			
Type of goods or service			
Sales of coffee, tea and other related complementary products	341,476	—	341,476
Sales of frozen meat and frozen processed food	—	105,308	105,308
Food and beverage store operations	187	—	187
Rental income from leasing of coffee and tea machines	10,620	—	10,620
Total revenue from contract with customers	352,283	105,308	457,591
Geographical markets			
Hong Kong	236,463	99,662	336,125
Mainland China	107,720	5,646	113,366
Macau	5,193	—	5,193
Others	2,907	—	2,907
Total revenue from contract with customers	352,283	105,308	457,591
Timing of revenue recognition			
Goods transferred at a point in time	341,663	105,308	446,971
Services transferred over time	10,620	—	10,620
Total revenue from contract with customers	352,283	105,308	457,591

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income, net		
Bank interest income	**603**	22
Interest income earned from the ultimate holding company	**—**	419
Interest income from financial investment at fair value through profit or loss	**—**	5
Others	**99**	484
	702	930
Gains, net		
Gain on disposal of items of property, plant and equipment, net	**63**	692
Foreign exchange differences, net	**—**	616
	63	1,308
	765	2,238

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings	**3,082**	1,758

6. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Cost of inventories sold^		**349,450**	299,405
Listing-related expenses		**6,791**	6,517
Depreciation^		**11,564**	11,171
Amortisation of intangible assets		**1,060**	1,056
Amortisation of prepaid land lease payments		**212**	196
Minimum lease payments under operating leases		**5,951**	5,366
Foreign exchange differences, net*		**1,107**	(616)
Reversal of impairment of trade receivables*	13	**(90)**	—
Impairment of trade receivables*	13	**1,555**	563
Write-off of trade receivables*		**311**	68
Gain on disposal of items of property, plant and equipment*		**(63)**	(692)
Write-down of inventories to net realisable value*	12	**867**	1,018
Write-off of inventories*		**526**	77

* 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 2018 amounted to HK$369,078,000 (six months ended 30 June 2017: HK$316,652,000) and included cost of inventories sold of HK$349,450,000 (six months ended 30 June 2017: HK$299,405,000), depreciation charge of HK$7,178,000 (six months ended 30 June 2017: HK$7,090,000) and employee benefit expenses of HK$7,126,000 (six months ended 30 June 2017: HK$5,190,000).

7. INCOME TAX EXPENSE

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 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (six months ended 30 June 2017: 25%).

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the period	**5,179**	7,054
Current — Mainland China		
Charge for the period	**4,471**	1,597
Underprovision/(overprovision) in prior periods	**80**	(58)
Deferred	**460**	(281)
	10,190	8,312

8. DIVIDENDS

The dividends recognised and distributed by the Company are as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
2017 interim dividend — HK$0.35 per ordinary share	**—**	86,645
2017 final dividend — HK$0.02 per ordinary share	**10,000**	—
2018 interim dividend — HK$0.01 per ordinary share	**8,093**	—
	18,093	86,645

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

The calculation of the basic earnings per share amount for the six months ended 30 June 2018 is based on unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK$31,783,000 (six months ended 30 June 2017: HK$31,899,000) and the weighted average number of ordinary shares of 652,282,000 (six months ended 30 June 2017: 617,533,000) in issue during the period as adjusted retrospectively to reflect a share split of the Company on 4 September 2017. In determining the weighted average of ordinary shares in issue, the share split of the Company during the six months ended 30 June 2017 was deemed to have been completed on 1 January 2017.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2018 is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent and the total of (i) the weighted average number of ordinary shares of 652,282,000, as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares of 3,628,000 assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

During the six months ended 30 June 2017, diluted earnings per share equaled to the basic earnings per share as there were no potentially dilutive ordinary shares in issue for that period.

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**31,783**	31,899
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue and issuable during the period, used in the basic earnings per share calculation	**652,282**	617,533
Effect of dilution — weighted average number of ordinary shares:		
Share options	**3,628**	—
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**655,910**	617,533

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of HK$10,483,000 (six months ended 30 June 2017: HK$8,526,000).

Items of property, plant and equipment with a net carrying amount of HK$647,000 were disposed of by the Group during the six months ended 30 June 2018 (six months ended 30 June 2017: HK$877,000).

As at 30 June 2018, certain of the Group's buildings with a net carrying amount of HK$3,713,000 (31 December 2017: HK$3,861,000) were pledged to secure general banking facilities granted to the Group (31 December 2017: the Group and the ultimate holding company).

11. PREPAID LAND LEASE PAYMENTS

Included in the Group's 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$3,960,000 (31 December 2017: HK$4,088,000). The Group also had items of property, plant and equipment attached to the Leasehold Land (the "**Attached Properties**") amounting to HK$3,449,000 (31 December 2017: HK$3,560,000). 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 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.

12. INVENTORIES

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Raw materials	**75,497**	79,024
Work-in-progress	**612**	749
Finished goods	**118,300**	115,597
	194,409	195,370

During the six months ended 30 June 2018, the write-down of inventories to net realisable value amounted to HK$867,000 (six months ended 30 June 2017: HK$1,018,000).

13. TRADE RECEIVABLES

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 aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within 30 days	**82,703**	101,908
31 to 60 days	**35,246**	40,149
61 to 90 days	**11,120**	15,058
91 to 180 days	**7,624**	11,509
181 to 360 days	**4,462**	1,649
Over 360 days	**542**	80
	141,697	170,353

During the six months ended 30 June 2018, the impairment and reversal of impairment of trade receivables amounted to HK$1,555,000 and HK$90,000, respectively (six months ended 30 June 2017: HK$563,000 and Nil).

14. TRADE AND BILLS PAYABLES

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

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within 1 month	**70,679**	85,996
1 to 2 months	**2,310**	3,593
2 to 3 months	**775**	420
Over 3 months	**2,541**	1,615
	76,305	91,624

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

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Current		
Trust receipt loans — unsecured	**81,397**	84,245
Bank loans — unsecured	**57,769**	49,355
Bank loans — secured	**5,200**	5,200
	144,366	138,800
Non-current		
Bank loans — unsecured	**21,216**	36,292
Bank loans — secured	**13,867**	16,467
	35,083	52,759
	179,449	191,559

16. SHARE CAPITAL

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
761,093,112 (31 December 2017: 617,750,000) ordinary shares of HK$0.10 each	**76,109**	61,775

A summary of movements in the Company's authorised and issued share capital during the period from 1 January 2017 to 30 June 2018 is as follows:

	Notes	Number of shares	Share capital HK$'000
Authorised:			
At 1 January 2017			
— ordinary shares of HK$0.25 each		400,000,000	100,000
Share split	(b)	600,000,000	—
Increase in authorised share capital	(c)	1,000,000,000	100,000
At 31 December 2017, at 1 January 2018 and at 30 June 2018			
— ordinary shares of HK$0.10 each		2,000,000,000	200,000
Issued and fully paid:			
At 1 January 2017			
— ordinary shares of HK$0.25 each		247,013,281	61,753
Issue of shares of HK$0.25 each	(a)	86,719	22
Share split	(b)	370,650,000	—
At 31 December 2017 and at 1 January 2018			
— ordinary shares of HK$0.10 each		617,750,000	61,775
Issue of shares under initial public offering	(d)	142,109,312	14,211
Issue of shares upon exercise of share options	(e)	1,233,800	123
At 30 June 2018			
— ordinary shares of HK$0.10 each		761,093,112	76,109

Notes:

(a) On 4 September 2017, 86,719 ordinary shares of par value HK$0.25 each were allotted and issued to the then sole shareholder of the Company for a cash consideration of HK$21,680, thereby increasing the issued ordinary shares of the Company from 247,013,281 shares to 247,100,000 shares of par value HK$0.25 each.

(b) Pursuant to a written resolution of the then sole shareholder of the Company dated 4 September 2017, every two issued and unissued ordinary shares of par value HK$0.25 each of the Company were subdivided into five ordinary shares of par value HK$0.10 each.

(c) Pursuant to a written resolution of the then sole shareholder of the Company dated 4 September 2017, the authorised share capital of the Company increased from HK$100,000,000 divided into 1,000,000,000 shares of par value HK$0.10 each to HK$200,000,000 divided into 2,000,000,000 shares of par value HK$0.10 each, by creation of 1,000,000,000 new shares of par value HK$0.10 each.

(d) In connection with the Company's initial public offering, 106,229,312 ordinary shares of par value HK$0.10 each were issued at a price of HK$1.98 per share for a total cash consideration, before share issue expenses, of approximately HK$210,334,000. Dealing in the shares of the Company on the Stock Exchange commenced on 11 May 2018.

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

(e) The subscription rights attaching to 1,233,800 share options were exercised at the subscription price of HK$0.594 per share, resulting in the issue of 1,233,800 ordinary shares of par value HK$0.10 each for a total cash consideration, before expenses, of HK$733,000. An amount of HK$1,704,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

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 upon the listing of the Company; 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.

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

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

The following share options under the Pre-IPO Share Option Scheme were outstanding during the period:

	Weighted average exercise price *HK$ per share*	**Number of options**
At 1 January 2017, at 31 December 2017 and at 1 January 2018	—	—
Granted during the period	0.594	9,000,000
Forfeited during the period	0.594	(254,000)
Exercised during the period	0.594	(1,233,800)
At 30 June 2018	0.594	7,512,200

Since the Adoption Date and up to 30 June 2018, no options have been granted or agreed to be granted under the Share Option Scheme.

18. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions, arrangements and balances detailed elsewhere in the interim financial information, the Group had the following material transactions with related parties during the period:

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Purchase from Guangzhou Dandy Don's Ice-cream Factory Company Limited	(i)	**102**	453
Rental expenses paid to Telenice Company Limited	(i)	**930**	930
Interest income earned from the ultimate holding company	(ii)	**—**	419

Notes:

(i) Mr. Wong Tat Tong, an executive director and the controlling shareholder of the Company, is the controlling shareholder of these related companies.

(ii) The interest income earned from the ultimate holding company was charged at Hong Kong Inter-bank Offered Rate plus 1.50% per annum for the six months ended 30 June 2017.

The above transactions were entered into based on terms mutually agreed between the relevant parties.

(b) Compensation of key management personnel of the Group

Remuneration for key management personnel of the Group, including directors' and chief executive's remuneration is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefit	**8,971**	7,637
Equity-settled share option expense	**1,818**	—
Pension scheme contributions (defined contribution schemes)	**273**	217
	11,062	7,854

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

For the six months ended 30 June 2018, the Group recorded a total revenue of HK$535.5 million, representing an increase of HK$77.9 million, or 17.0%, from HK$457.6 million for the six months ended 30 June 2017. Revenue from the beverage solutions segment increased by HK$52.2 million, or 14.8%, from HK$352.3 million for the six months ended 30 June 2017 to HK$404.4 million for the six months ended 30 June 2018. The revenue growth in beverage solutions segment was primarily because of the increase in revenue derived from tea and instant beverage mix products in the PRC. Revenue from the food products segment increased by HK$25.8 million, or 24.5%, from HK$105.3 million for the six months ended 30 June 2017 to HK$131.1 million for the six months ended 30 June 2018. The revenue growth in food products segment was primarily because of the increase in (i) the sales of frozen meat products as a result of pricing strategy of the Group and increase in demand of frozen meat in Hong Kong, and (ii) the sales of frozen processed food products as a result of the expansion of such business in both Hong Kong and the PRC. Gross profit amount matched with corresponding increase in revenue and gross profit margin increased mildly from 30.8% for the six months ended 30 June 2017 to 31.1% for the six months ended 30 June 2018.

As part of the growth strategy, the Group has put more effort on its marketing and thus the marketing and promotion expenses of the Group increased by HK$5.2 million, or 82.2%, from HK$6.4 million for the six months ended 30 June 2017 to HK$11.6 million for the six months ended 30 June 2018. The increase in marketing and promotion expenses was mainly attributable to running of several joint marketing campaigns which the Group jointly initiated with customers operating food chain outlets in Hong Kong and the PRC.

BUSINESS PROSPECT

The Group, as the largest B2B coffee and black tea solutions provider in Hong Kong in 2016 in terms of B2B revenue, shall endeavour to strengthen its leading position by taking more marketing initiatives. According to the industry report (the "**Frost & Sullivan Report**") prepared by Frost & Sullivan Limited, which information was set out in the prospectus of the Company dated 30 April 2018 (the "**Prospectus**"), as a relatively mature market, the B2B coffee and tea products market in Hong Kong is expected to rise steadily from HK$1,363.5 million in 2017 to HK$1,610.3 million in 2021 at a compound annual growth rate ("**CAGR**") of 4.2%, with B2B coffee products and B2B tea products having rather leveled contribution at a CAGR of 4.5% and 3.9%, respectively.

In order to maintain a higher growth in revenue, the Group also seeks to deepen our market penetration and enhance our brand recognition and awareness in the PRC. In the PRC, prompted by the influence of western culture and changing consumer preference, there has been an increase in coffee consumption and thus a growth in the B2B coffee products market. According to the Frost & Sullivan Report, it is expected that between 2017 to 2021, the B2B coffee and black tea products markets in the PRC will grow at a CAGR of 13.2% and 6.4%, respectively and the frozen meat market in the PRC is expected to continue to expand at an expected CAGR of 7.8% between 2017 and 2021.

Historically, the Group was the fourth largest B2B coffee and black tea solutions provider in the PRC in 2016 in terms of B2B revenue according to the Frost & Sullivan Report. The Group will continue to strengthen its leading position as an integrated B2B coffee and black tea solutions provider in the PRC by actively expanding its product offerings to provide the convenience of one-stop purchasing for customers. Further, leveraging off leading market position and well-established distribution network, the Group will continue to seek cross-selling opportunities in the frozen meat and frozen processed food and other food product markets in the PRC. The Group also seeks to deepen its market penetration and enhance its brand recognition and awareness in the PRC by expanding its sales channels that its believes have, relatively higher growth potential, particularly the Pearl River Delta in the near term and the Yangtze River Delta in the long-run.

As part of the plan to strengthen the Group's frozen meat and frozen processed food products business and expand its product offerings, the Company entered into a strategic cooperation agreement with NH Foods Limited ("**NH Foods**") for the sale of frozen, fresh, pre-cooked processed meat and seafood products and a memorandum of understanding with Fraser and Neave, Limited ("**F&N**") to explore business and product development opportunities for the supply, distribution, co-branded promotion and co-development of beverage products and/or beverage solutions in July 2017 and April 2018, respectively.

Leveraging on the Group's experience in providing frozen meat and frozen processed food, the Group aims to co-operate with NH Foods to provide tailor-made frozen meat and processed food products to satisfy the needs of its well-established and diverse customer base in Hong Kong, Macau and the PRC and enhance its product portfolio. Furthermore, the Group will continue to explore business and product development opportunities with F&N for the supply, distribution, cobranded promotion and co-development of beverage products and/or beverage solutions. In order to maximize the synergy effects with F&N, the Group will continue to take on more strategic alliance initiatives. The Board believes that building on the Group's leading market position and well-established distribution network, the cooperation with F&N could fully utilize the distribution channels and optimize product mix of both parties.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by HK$77.9 million, or 17.0%, from HK$457.6 million for the six months ended 30 June 2017 to HK$535.5 million for the six months ended 30 June 2018. The increase was primarily due to the increase in revenue derived from the beverage solutions business, and to a lesser extent, the growth in revenue derived from our food products business.

Cost of sales

The Group's cost of sales increased by HK$52.4 million, or 16.6%, from HK$316.7 million for the six months ended 30 June 2017 to HK$369.1 million for the six months ended 30 June 2018. The increase in our cost of sales was primarily a result of the increase in raw material costs for the beverage solutions products, which in turn was mainly a result of the growth in our overall sales volume and procurement price for the raw materials.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by HK$25.5 million, or 18.1%, from HK$140.9 million for the six months ended 30 June 2017 to HK$166.4 million for the six months ended 30 June 2018. The Group's gross profit margin increased mildly from 30.8% for the six months ended 30 June 2017 to 31.1% for the six months ended 30 June 2018.

Other income and gains, net

The Group's other income and gains, net, decreased by HK$1.5 million from HK$2.2 million for the six months ended 30 June 2017 to HK$0.8 million for the six months ended 30 June 2018. The decrease was primarily a result of decrease in (i) gains on disposal of property, plant and equipment, and (ii) foreign exchange differences, net, due to strengthening of the United States dollar and weakening of Renminbi during the six months ended 30 June 2018.

Selling and distribution expenses

The Group's selling and distribution expenses increased by HK$9.7 million, or 19.1%, from HK$50.6 million for the six months ended 30 June 2017 to HK$60.3 million for the six months ended 30 June 2018, primarily due to increase in (i) marketing and promotion expenses, (ii) storage expenses, and (iii) logistics expenses, which were generally in line with the increment in revenue.

Administrative expenses

The Group's administrative expenses increased by HK$8.8 million, or 18.4%, from HK$48.0 million for the six months ended 30 June 2017 to HK$56.8 million for the six months ended 30 June 2018. The increase was primarily a result of (i) increase in staff costs, which was mainly a result of an increase in the average salary of the Group's employees, and (ii) recognition of share-based payment expense relating to the Pre-IPO Share Option Scheme.

During the six months ended 30 June 2018, the Group incurred HK$6.8 million (six months ended 30 June 2017: HK$6.5 million) in the consultancy and professional fee in relation to the Listing.

Other expenses, net

The Group's other expenses, net, increased significantly by HK$2.6 million from HK$1.7 million for the six months ended 30 June 2017 to HK$4.3 million for the six months ended 30 June 2018. The increase was primarily as a result of (i) foreign exchange differences, net, (ii) impairment of trade receivables, and (iii) write-off of inventories in phasing out the packaging materials.

Finance costs

The Group's finance costs increased by HK$1.3 million, or 75.3%, from HK$1.8 million for the six months ended 30 June 2017 to HK$3.1 million for the six months ended 30 June 2018. The increase was primarily as a result of increase in average interest rate.

Income tax expense

The Group's income tax expense increased by HK$1.9 million, or 22.6%, from HK$8.3 million for the six months ended 30 June 2017 to HK$10.2 million for the six months ended 30 June 2018, mainly due to the increase in profit before tax. The Group's effective income tax rate increased from 20.2% for the six months ended 30 June 2017 to 23.8% for the six months ended 30 June 2018.

Profit for the period and net profit margin

As a result of the foregoing, the Group's profit decreased by HK$0.2 million, or 0.7%, from HK$32.8 million for the six months ended 30 June 2017 to HK$32.6 million for the six months ended 30 June 2018. The Group's net profit margin decreased from 7.2% for the six months ended 30 June 2017 to 6.1% for the six months ended 30 June 2018.

Adjusted profit for the period attributable to owners of the parent

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

	Six months ended 30 June	
	2018	2017
	(HK$'000)	*(HK$'000)*
Profit for the period attributable to owners of the parent	**31,783**	31,899
Plus/(minus):		
Listing-related expenses	**6,791**	6,517
Share-based payment expense relating to the Pre-IPO Share Option Scheme	**4,839**	—
Consultancy fee for land use rights and development plan in Dongguan	**—**	3,004
Interest income earned from the ultimate holding company	**—**	(419)
Adjusted profit for the period attributable to owners of the parent	**43,413**	41,001

The Group's adjusted profit attributable to owners of the parent for the six months ended 30 June 2018 would amount to HK$43.4 million, representing an increase of HK$2.4 million or 5.9%, as compared to HK$41.0 million for the six months ended 30 June 2017.

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

Capital Expenditure and Commitments

During the six months ended 30 June 2018, the Group incurred capital expenditures of HK$10.8 million (six months ended 30 June 2017: HK$10.0 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 30 June 2018, the Group had capital commitment of HK$1.8 million (31 December 2017: HK$0.7 million), mainly comprising the related contracts of capital expenditure in production machineries.

Borrowings

As at 30 June 2018, the Group had total interest-bearing bank borrowings of HK$179.4 million (31 December 2017: HK$191.6 million).

Contingent Liabilities

During the six months 30 June 2018, the Group was not able to obtain the real estate ownership certificate for two warehouses located in the Mainland China. 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 RMB1,321,000 (equivalent to HK$1,622,000) (31 December 2017: RMB1,321,000 (equivalent to HK$1,519,000)). On 15 December 2017, the Group obtained a temporary construction permit for a period of two years for one of the warehouses. Having considered the recent approval of the temporary construction permit of a warehouse and the current application status of the temporary construction permit of the remaining warehouse which is currently being processed by 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. Accordingly, no provision for the relevant liability has been made.

As at 31 December 2017, the Group had a contingent liability in respect of a corporate guarantee given to a bank of HK$212.8 million in connection with certain banking facilities granted to the ultimate holding company of the Company which had not been provided for in the financial statements. The banking facilities granted to the ultimate holding company were utilised to the extent of HK$212.8 million. Such corporate guarantee was fully released upon Listing.

Gearing Ratio

As at 30 June 2018, on the basis of total interest-bearing bank borrowings divided by equity attributable to owners of the parent, the Group's gearing ratio was 36.2% (31 December 2017: 89.4%). The decrease in gearing ratio was mainly due to (i) settlement of interest-bearing bank borrowings, and (ii) increase in equity attributable to owners of the parent from issue of new Shares by Listing.

Foreign Currency Risk

The Group has transactional currency exposures. Such exposures mainly arise from sales or purchases by operating units in currencies other than the unit's functional currencies. The majority of the Group's foreign currency purchase transactions are denominated in the United States dollars. On the other hand, the sales and disbursements are mainly denominated in Hong Kong dollars and Renminbi. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest Rate Risk

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

Credit Risk

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

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

Liquidity Risk

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

Pledge of Assets

As at 30 June 2018, certain of the Group's buildings with a net carrying amount of HK$3.7 million (31 December 2017: HK$3.9 million) were pledged to secure general banking facilities granted to the Group (31 December 2017: the Group and the ultimate holding company).

HUMAN RESOURCES

As at 30 June 2018, the Group employed 238 and 275 (30 June 2017: 245 and 271) employees in Hong Kong and the PRC, respectively.

Remuneration packages are generally structured in reference to qualifications, experience, performance and market term. The Company has also adopted share option schemes, details of which are set forth in note 17 to the financial information and the Prospectus.

During the six months ended 30 June 2018, the Group provided various trainings to its employees range from operation skill such as occupational safety training and machine control training to professional knowledge including management system and business knowledge, to ensure the effective implementation of the Group's business strategy.

USE OF PROCEEDS FROM LISTING

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. After the full exercise of the Over-allotment Option (as defined in the Prospectus) and after deducting underwriting commissions and all related expenses, the net proceeds from issuance of the Shares in connection with the Listing (the "**Net Proceeds**") amounted to HK$232.6 million. As at the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

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

During the period from the Listing Date to 30 June 2018, the Net Proceeds had been applied as follows:

Intended use of Net Proceeds as stated in the Prospectus	Planned use of proceeds (Note) (HK$'000)	Actual use of proceeds up to 30 June 2018 (HK$'000)	Unutilised amount as at 30 June 2018 (HK$'000)
Strengthen business portfolio	93,044	—	93,044
Capital investments of machineries and equipment	46,522	(1,490)	45,032
Expansion into Southeast Asia	23,261	—	23,261
Product customization and development	23,261	—	23,261
Support sales and marketing	23,261	—	23,261
General working capital	23,261	(7,600)	15,661
	232,610	(9,090)	223,520

Note: The planned amount of use of Net Proceeds has been adjusted in the same proportion and same manner as stated in the Prospectus due to the difference between the estimated net proceeds and the actual net proceeds received.

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has established an audit committee of the Company (the "**Audit Committee**") on 15 December 2017 with terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**"). The Audit Committee consists of three independent non-executive Directors, namely Mr. Tang Kwai Chang (Chairman), Mr. Chow Alexander Yue Nong and Mr. Wong Man Fai. The Audit Committee reviewed with the management the accounting policies and practices adopted by the Company and discussed the auditing, internal control and financial reporting matters. The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018 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 financial information for the six months ended 30 June 2018 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 period from the Listing Date to 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

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

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 30 June 2018, ensuring that the Company is up to the requirements as being diligent, accountable and professional, except for a deviation from code provision A.2.1 of the CG Code in respect of the roles of chairman and chief executive officer of the Company.

Pursuant to code provision A.2.1 of CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Tat Tong ("**Mr. Wong**") is currently the chairman of the Board and chief executive officer of the Company, responsible for formulating the overall business development strategy and planning of the Group. In view that Mr. Wong has been responsible for the overall management of the Group since 1978, the Board considered that vesting the roles of chairman and chief executive officer in the same person 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 Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. In response to the specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the period from the Listing Date to 30 June 2018. No incident of non-compliance in this regard was noted by the Company for the said period.

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 2018 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, 23 August 2018

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.