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 2019

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2019 amounted to HK$517.0 million, representing a decrease of 3.5% from HK$535.5 million for the corresponding period in 2018.

- Gross profit for the six months ended 30 June 2019 amounted to HK$158.6 million, representing a decrease of 4.7% from HK$166.4 million for the corresponding period in 2018.

- Profit attributable to owners of the parent for the six months ended 30 June 2019 amounted to HK$38.4 million, representing an increase of 20.9% from HK$31.8 million for the corresponding period in 2018.

- Adjusted profit attributable to owners of the parent[(1)] for the six months ended 30 June 2019 would amount to HK$41.1 million, representing a decrease of 5.4% from HK$43.4 million for the corresponding period in 2018.

  (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; and (iii) loss on deregistration of subsidiaries, 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 2019, together with the comparative figures for the corresponding period in 2018 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	4	**517,006**	535,507
Cost of sales		**(358,396)**	(369,078)
Gross profit		**158,610**	166,429
Other income and gains, net	4	**2,658**	765
Selling and distribution expenses		**(60,116)**	(60,284)
Administrative expenses		**(46,098)**	(56,803)
Other expenses, net		**(2,700)**	(4,276)
Finance costs	5	**(2,855)**	(3,082)
PROFIT BEFORE TAX	6	**49,499**	42,749
Income tax expense	7	**(9,979)**	(10,190)
PROFIT FOR THE PERIOD		**39,520**	32,559
Attributable to:			
Owners of the parent		**38,432**	31,783
Non-controlling interests		**1,088**	776
		39,520	32,559
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**5.04**	4.87
Diluted		**5.03**	4.85

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**39,520**	32,559
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**27**	(3,058)
Reclassification adjustments for deregistration of subsidiaries	**518**	—
	545	(3,058)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**40,065**	29,501
Attributable to:		
Owners of the parent	**38,977**	28,725
Non-controlling interests	**1,088**	776
	40,065	29,501

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	**As at 30 June 2019 (Unaudited)** *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**136,391**	102,683
Prepaid land lease payments	11	**—**	10,920
Goodwill		**15,447**	15,447
Intangible assets		**1,816**	2,873
Deposits paid for purchases of items of property, plant and equipment		**5,203**	3,602
Prepayments, deposits and other receivables		**4,628**	3,819
Deferred tax assets		**2,317**	2,783
Total non-current assets		**165,802**	142,127
CURRENT ASSETS			
Inventories	12	**195,218**	205,795
Trade receivables	13	**141,579**	163,848
Prepaid land lease payments	11	**—**	393
Prepayments, deposits and other receivables		**13,683**	19,577
Tax recoverable		**380**	1,117
Cash and cash equivalents		**322,604**	328,684
Total current assets		**673,464**	719,414
CURRENT LIABILITIES			
Trade and bills payables	14	**80,168**	91,240
Accruals and other payables		**49,146**	49,904
Lease liabilities	2.2	**12,011**	—
Interest-bearing bank borrowings	15	**120,649**	139,003
Tax payable		**6,290**	4,079
Derivative financial instruments		**203**	—
Total current liabilities		**268,467**	284,226
NET CURRENT ASSETS		**404,997**	435,188
TOTAL ASSETS LESS CURRENT LIABILITIES		**570,799**	577,315

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2019

	Notes	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	2.2	**12,228**	—
Interest-bearing bank borrowings	15	—	17,217
Deferred tax liabilities		**5,834**	5,771
Total non-current liabilities		**18,062**	22,988
Net assets		**552,737**	554,327
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**76,285**	76,207
Reserves		**457,545**	460,301
		533,830	536,508
Non-controlling interests		**18,907**	17,819
Total equity		**552,737**	554,327

NOTES TO THE FINANCIAL INFORMATION

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 HM10, 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 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 2019 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 2018. 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 2019 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, 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 2019.

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 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases* ("**HKFRS 16**"), the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of HKFRS 16 are described below:

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, 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. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will 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 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 is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

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.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

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 short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

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 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

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

Statement of Financial Position	**At 31 December 2018** (Audited) *HK$'000*	**Restatement adjustment on adoption of HKFRS 16** (Unaudited) *HK$'000*	**At 1 January 2019** (Unaudited) *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

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited) *HK$'000*
Operating lease commitments as at 31 December 2018	21,320
Weighted average increment borrowing rate as at 1 January 2019	3.64%
Discounted operating lease commitments as at 1 January 2019	20,283
Less: Commitments relating to short-term leases and those leases with a remaining lease ending on or before 31 December 2019	(3,506)
Add: Payments for extension periods not recognised as at 31 December 2018	1,463
Lease liabilities as at 1 January 2019	18,240

As at 30 June 2019, right-of-use assets included in property, plant and equipment, current lease liabilities and non-current lease liabilities amounted to HK$35,014,000, HK$12,011,000 and HK$12,228,000, respectively.

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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, 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 2019 (unaudited)			
Segment revenue			
Sales to external customers	**380,004**	**137,002**	**517,006**
Segment results	**55,624**	**4,834**	**60,458**
Reconciliation:			
Interest income			**2,633**
Corporate and unallocated expenses, net			**(10,737)**
Finance costs			**(2,855)**
Profit before tax			**49,499**
Other segment information:			
Depreciation and amortisation	**16,455**	**280**	**16,735**
Impairment of trade receivables	**478**	**9**	**487**
Reversal of impairment of trade receivables	**(309)**	**(19)**	**(328)**
Write-off of trade receivables	**70**	**—**	**70**
Write-down of inventories to net realisable value	**167**	**—**	**167**
Write-off of inventories	**97**	**405**	**502**
Capital expenditure*	**11,170**	**28**	**11,198**

* The capital expenditure includes purchases of property, plant and equipment of HK$8,022,000 and deposits for purchases of property, plant and equipment of HK$3,176,000.

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
As at 30 June 2019 (unaudited)			
Segment assets	**390,316**	**126,715**	**517,031**
Reconciliation:			
Elimination of intersegment receivables			**(568)**
Corporate and unallocated assets			**322,803**
Total assets			**839,266**
Segment liabilities	**172,597**	**62,668**	**235,265**
Reconciliation:			
Elimination of intersegment payables			**(568)**
Corporate and unallocated liabilities			**51,832**
Total liabilities			**286,529**

	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 purchases of property, plant and equipment of HK$1,425,000.

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
As at 31 December 2018 (audited)			
Segment assets	406,006	127,018	533,024
Reconciliation:			
Elimination of intersegment receivables			(547)
Corporate and unallocated assets			329,064
Total assets			861,541
Segment liabilities	170,629	60,968	231,597
Reconciliation:			
Elimination of intersegment payables			(547)
Corporate and unallocated liabilities			76,164
Total liabilities			307,214

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**350,954**	359,759
Mainland China	**136,345**	167,119
Others	**29,707**	8,629
	517,006	535,507

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

(b) Non-current assets

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**84,354**	62,144
Mainland China	**77,347**	76,265
	161,701	138,409

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

4. REVENUE AND OTHER INCOME AND GAINS, NET

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

	Beverage Solutions *HK$'000*	Food Products *HK$'000*	Total *HK$'000*
Six months ended 30 June 2019 (unaudited)			
Type of goods or service			
Sales of coffee, tea and other related complementary products	**367,547**	**—**	**367,547**
Sales of frozen meat and frozen processed food	**—**	**137,002**	**137,002**
Rental income from leasing of coffee and tea machines	**12,377**	**—**	**12,377**
Food and beverage store operations	**80**	**—**	**80**
Total revenue from contracts with customers	**380,004**	**137,002**	**517,006**
Geographical markets			
Hong Kong	**225,482**	**125,472**	**350,954**
Mainland China	**135,576**	**769**	**136,345**
Others	**18,946**	**10,761**	**29,707**
Total revenue from contracts with customers	**380,004**	**137,002**	**517,006**
Timing of revenue recognition			
Goods transferred at a point in time	**367,627**	**137,002**	**504,629**
Services transferred over time	**12,377**	**—**	**12,377**
Total revenue from contracts with customers	**380,004**	**137,002**	**517,006**

	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
Rental income from leasing of coffee and tea machines	10,487	—	10,487
Food and beverage store operations	151	—	151
Total revenue from contracts 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
Others	8,629	—	8,629
Total revenue from contracts 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 contracts with customers	404,439	131,068	535,507

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income, net		
Bank interest income	**2,633**	603
Others	**25**	99
	2,658	702
Gains, net		
Gain on disposal of items of property, plant and equipment, net	**—**	63
	2,658	765

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings	**2,479**	3,082
Interest on lease liabilities	**376**	—
	2,855	3,082

6. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Cost of inventories sold^		**339,868**	349,450
Listing-related expenses		**—**	6,791
Depreciation^:			
Right-of-use assets		**5,068**	—
Other items of property, plant and equipment		**10,610**	11,564
		15,678	11,564
Amortisation of intangible assets		**1,057**	1,060
Amortisation of prepaid land lease payments		**—**	212
Minimum lease payments under operating leases		**1,466**	5,951
Foreign exchange differences, net*		**457**	1,107
Reversal of impairment of trade receivables*	13	**(328)**	(90)
Impairment of trade receivables*	13	**487**	1,555
Write-off of trade receivables*		**70**	311
Loss/(gain) on disposal of items of property, plant and equipment*		**108**	(63)
Loss on derivative financial instruments*		**203**	—
Write-down of inventories to net realisable value*	12	**167**	867
Write-off of inventories*		**502**	526

* 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 2019 amounted to HK$358,396,000 (six months ended 30 June 2018: HK$369,078,000) and included cost of inventories sold of HK$339,868,000 (six months ended 30 June 2018: HK$349,450,000), depreciation charge of HK$7,244,000 (six months ended 30 June 2018: HK$7,178,000) and employee benefit expenses of HK$6,525,000 (six months ended 30 June 2018: HK$7,126,000).

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 2018: 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 2018: 25%).

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the period	**6,048**	5,179
Current — Mainland China		
Charge for the period	**3,912**	4,471
(Overprovision)/underprovision in prior periods	**(513)**	80
Deferred	**532**	460
	9,979	10,190

8. DIVIDENDS

The dividends recognised as distribution by the Company are as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	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**	—
	44,066	18,093
Dividend declared after the end of the reporting period:		
Interim dividend — HK2.52 cents (six months ended 30 June 2018: Nil) per ordinary share	**19,235**	—

The interim dividend for the six months ended 30 June 2019 has been calculated by reference to 763,293,712 shares in issue on 22 August 2019.

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 2019 is based on unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK$38,432,000 (six months ended 30 June 2018: HK$31,783,000) and the weighted average number of ordinary shares of 762,263,000 (six months ended 30 June 2018: 652,282,000) in issue during the period.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2019 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 762,263,000 (six months ended 30 June 2018: 652,282,000), as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares of 2,346,000 (six months ended 30 June 2018: 3,628,000) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**38,432**	31,783
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue and issuable during the period, used in the basic earnings per share calculation	**762,263**	652,282
Effect of dilution — weighted average number of ordinary shares:		
Share options	**2,346**	3,628
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**764,609**	655,910

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of HK$9,592,000 (six months ended 30 June 2018: HK$10,483,000) and recognised right-of-use assets of HK$10,533,000 (six months ended 30 June 2018: Nil).

Items of property, plant and equipment with a net carrying amount of HK$224,000 were disposed of by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: HK$647,000).

Right-of-use assets amounted to HK$35,014,000 were included in property, plant and equipment as at 30 June 2019.

11. 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$3,676,000 (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$3,201,000 (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 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 six months ended 30 June 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.

12. INVENTORIES

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Raw materials	**70,904**	71,009
Work-in-progress	**224**	533
Finished goods	**124,090**	134,253
	195,218	205,795

During the six months ended 30 June 2019, the write-down of inventories to net realisable value amounted to HK$167,000 (six months ended 30 June 2018: HK$867,000).

13. TRADE RECEIVABLES

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Trade receivables	**149,489**	173,660
Impairment	**(7,910)**	(9,812)
	141,579	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 as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Within 30 days	**80,080**	104,818
31 to 60 days	**40,633**	39,125
61 to 90 days	**12,054**	11,414
91 to 120 days	**5,942**	6,570
121 to 180 days	**700**	1,012
181 to 360 days	**2,003**	880
Over 360 days	**167**	29
	141,579	163,848

During the six months ended 30 June 2019, the impairment and reversal of impairment of trade receivables amounted to HK$487,000 and HK$328,000, respectively (six months ended 30 June 2018: HK$1,555,000 and HK$90,000).

14. TRADE AND BILLS PAYABLES

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 1 month	**78,483**	89,118
1 to 2 months	**792**	1,050
2 to 3 months	**34**	62
Over 3 months	**859**	1,010
	80,168	91,240

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

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Current		
Trust receipt loans — unsecured	**71,249**	81,603
Bank loans — unsecured	**49,400**	49,400
Current portion of long term bank loans — unsecured	**—**	8,000
	120,649	139,003
Non-current		
Bank loans — unsecured	**—**	17,217
	120,649	156,220

16. SHARE CAPITAL

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
762,849,712 (31 December 2018: 762,071,112) ordinary shares of HK$0.10 each	**76,285**	76,207

A summary of movements in the Company's authorised and issued share capital during the period from 1 January 2018 to 30 June 2019 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 30 June 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	(c)	778,600	78
At 30 June 2019		762,849,712	76,285

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 2018, the subscription rights attaching to 2,211,800 share options were exercised at the subscription price of HK$0.594 per share, resulting in the issue of 2,211,800 ordinary shares of par value HK$0.10 each for a total cash consideration, before expenses, of HK$1,313,000. An amount of HK$4,147,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(c) During the six months ended 30 June 2019, the subscription rights attaching to 778,600 share options were exercised at the subscription price of HK$0.594 per share, resulting in the issue of 778,600 ordinary shares of par value HK$0.10 each for a total cash consideration, before expenses, of HK$462,000. An amount of HK$1,058,000 was transferred from the share option to the share premium account upon the exercise of the share options.

17. SHARE-BASED PAYMENTS

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 prior to the Listing Date; and (ii) the exercise price and the exercise period of the share options are different. Details of the Schemes are set out in the Prospectus.

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

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

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

	Six months ended 30 June 2019		Year ended 31 December 2018	
	Weighted average exercise price ***HK$ per share***	**Number of options**	Weighted average exercise price *HK$ per share*	Number of options
At beginning of the period/year	**0.594**	**6,192,600**	—	—
Granted during the period/year	**—**	**—**	0.594	9,000,000
Exercised during the period/year	**0.594**	**(778,600)**	0.594	(2,211,800)
Forfeited during the period/year	**0.594**	**(259,000)**	0.594	(595,600)
At end of the period/year	**0.594**	**5,155,000**	0.594	6,192,600

During the period, 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Purchase from Guangzhou Dandy Don's Ice-cream Factory Co Ltd.	**—**	102
Rental expenses paid to Telenice Company Limited	**930**	930

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

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefit	**8,309**	8,971
Equity-settled share option expense	**943**	1,818
Pension scheme contributions (defined contribution schemes)	**270**	273
	9,522	11,062

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 2019, the Group recorded a total revenue of HK$517.0 million, representing a decrease of HK$18.5 million, or 3.5%, from HK$535.5 million for the six months ended 30 June 2018. Revenue from the beverage solutions segment decreased by HK$24.4 million, or 6.0%, from HK$404.4 million for the six months ended 30 June 2018 to HK$380.0 million for the six months ended 30 June 2019, which was attributable to the decrease in revenue derived from instant beverage mix products in the PRC. Revenue from the food products segment increased by HK$5.9 million, or 4.5%, from HK$131.1 million for the six months ended 30 June 2018 to HK$137.0 million for the six months ended 30 June 2019, which was attributable to the increase in the overseas sales of frozen meat products. Gross profit amount matched with corresponding decrease in revenue and gross profit margin decreased mildly from 31.1% for the six months ended 30 June 2018 to 30.7% for the six months ended 30 June 2019.

BUSINESS PROSPECT

The Group has been focusing on its B2B coffee and black tea solutions business in Hong Kong, Macau and Mainland China for the last few decades and seeing the potential in other business aspects, it continuously strives to strengthen its position in other "food and beverages" areas, in particular frozen processed food markets. The Group is further vertically expanding its business into frozen meat processing business and has kick-started the project, including the preparation of basic infrastructure and the process of designing and establishing a simple frozen meat processing line in Hong Kong. The expansion enhances its ability to procure customized frozen processed food, leverage on its leading market position and well-established distribution network, the Group will continue to seek cross-selling opportunities under food product markets in Hong Kong and the PRC.

In 2020, the Group will launch its fully automated tea machine in collaboration with its coffee machine manufacturer, which is based in Switzerland, to complement its tea products. The Group has conducted preliminary feasibility study on the tea machines, including a study on the target market segment channel, proposed target customers, business models/plan for investment (direct sales, free rental along with product distribution), the safety standards as requested by specific customers, and the potential target sales in both Hong Kong and the PRC regions. Based on the feasibility study and the Group's past experience of selling coffee machines to customers including Cha Chaan Tengs, hotels and convenience stores, the Group believes there would be sufficient demand for this automated tea machine in the future. At this stage, final version of prototype has been completed.

Seeing the business opportunities brought by e-commerce channel, the Group is planning to launch its online selling platform in 2020. Due to the fact that online shopping is now a common habit in Hong Kong and the PRC for all generations, the new online platform will attract customers. It will deepen the Group's market penetration and enhance its brand recognition and awareness in Hong Kong and the PRC.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by HK$18.5 million, or 3.5%, from HK$535.5 million for the six months ended 30 June 2018 to HK$517.0 million for the six months ended 30 June 2019. The decrease was primarily due to the decrease in revenue derived from the beverage solutions business, which partially offset with the growth in revenue derived from our food products business.

Cost of sales

The Group's cost of sales decreased by HK$10.7 million, or 2.9%, from HK$369.1 million for the six months ended 30 June 2018 to HK$358.4 million for the six months ended 30 June 2019. The decrease in our cost of sales was primarily a result of the decrease in raw material costs for the beverage solutions products.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by HK$7.8 million, or 4.7%, from HK$166.4 million for the six months ended 30 June 2018 to HK$158.6 million for the six months ended 30 June 2019. The Group's gross profit margin decreased mildly from 31.1% for the six months ended 30 June 2018 to 30.7% for the six months ended 30 June 2019.

Other income and gains, net

The Group's other income and gains, net, increased by HK$1.9 million from HK$0.8 million for the six months ended 30 June 2018 to HK$2.7 million for the six months ended 30 June 2019. The increase was primarily a result of increase in bank interest income received from time deposits on the unutilised Net Proceeds during the six months ended 30 June 2019.

Selling and distribution expenses

The Group's selling and distribution expenses decreased mildly by HK$0.2 million, or 0.3%, from HK$60.3 million for the six months ended 30 June 2018 to HK$60.1 million for the six months ended 30 June 2019, primarily due to decrease in logistics expenses, which were generally in line with the decrease in revenue.

Administrative expenses

The Group's administrative expenses decreased by HK$10.7 million, or 18.8%, from HK$56.8 million for the six months ended 30 June 2018 to HK$46.1 million for the six months ended 30 June 2019. The decrease was primarily a result of (i) non-recurring consultancy and professional fee, which was incurred in relation to the Listing during the six months ended 30 June 2018, and (ii) decrease in recognition of share-based payment expense relating to the Pre-IPO Share Option Scheme.

Other expenses, net

The Group's other expenses, net, decreased by HK$1.6 million from HK$4.3 million for the six months ended 30 June 2018 to HK$2.7 million for the six months ended 30 June 2019. The decrease was primarily as a result of decrement in (i) impairment of trade receivables, (ii) write-down of inventories to net realisable value, and (iii) foreign exchange losses.

Finance costs

The Group's finance costs decreased by HK$0.2 million, or 7.4%, from HK$3.1 million for the six months ended 30 June 2018 to HK$2.9 million for the six months ended 30 June 2019. The decrease was primarily as a result of decrease in interest-bearing bank borrowings.

Income tax expense

The Group's income tax expense decreased by HK$0.2 million, or 2.1%, from HK$10.2 million for the six months ended 30 June 2018 to HK$10.0 million for the six months ended 30 June 2019, mainly due to the decrease in profit before tax in the Mainland China. The Group's effective income tax rate decreased from 23.8% for the six months ended 30 June 2018 to 20.2% for the six months ended 30 June 2019.

Profit for the period and net profit margin

As a result of the foregoing, the Group's profit increased by approximately HK$7.0 million, or 21.4%, from HK$32.6 million for the six months ended 30 June 2018 to HK$39.5 million for the six months ended 30 June 2019. The Group's net profit margin increased from 6.1% for the six months ended 30 June 2018 to 7.6% for the six months ended 30 June 2019.

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	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period attributable to owners of the parent	**38,432**	31,783
Plus:		
Listing-related expenses	—	6,791
Share-based payment expense relating to the Pre-IPO Share Option Scheme	**1,949**	4,839
Loss on deregistration of subsidiaries	**706**	—
Adjusted profit for the period attributable to owners of the parent	**41,087**	43,413

The Group's adjusted profit attributable to owners of the parent for the six months ended 30 June 2019 would amount to HK$41.1 million, representing a decrease of HK$2.3 million or 5.4%, as compared to HK$43.4 million for the six months ended 30 June 2018.

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; and (iii) loss on deregistration of subsidiaries, and excluding any tax effects related to the preceding judgements.

Capital Expenditure and Commitments

During the six months ended 30 June 2019, the Group acquired property, plant and equipment (other than right-of-use assets) and paid deposits for purchases of property, plant and equipment in aggregate of HK$11.2 million (six months ended 30 June 2018: HK$10.8 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 30 June 2019, the Group had capital commitment of HK$3.0 million (31 December 2018: HK$0.6 million), mainly comprising the related contracts of capital expenditure in production machineries.

Borrowings

As at 30 June 2019, the Group had total interest-bearing bank borrowings of HK$120.6 million (31 December 2018: HK$156.2 million).

Contingent Liabilities

During the six months 30 June 2019, the Group has yet 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 RMB1.3 million (equivalent to HK$1.5 million) (31 December 2018: RMB1.3 million (equivalent to HK$1.5 million)). 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 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.

Gearing Ratio

As at 30 June 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 22.6% (31 December 2018: 29.1%). The decrease in gearing ratio was mainly 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 30 June 2019, the Group employed 239 and 274 (30 June 2018: 238 and 275) 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 to motivate valued employees.

During the six months ended 30 June 2019, 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 2019, the Net Proceeds had been applied as follows:

Intended use of Net Proceeds as stated in the Prospectus	Planned use of proceeds *(Note)* *HK$'000*	Actual use of proceeds up to 31 December 2018 *HK$'000*	Unutilised amount as at 31 December 2018 *HK$'000*	**Actual use of proceeds from 1 January to 30 June 2019** ***HK$'000***	**Unutilised amount as at 30 June 2019** ***HK$'000***
Strengthen business portfolio	93,044	—	93,044	**—**	**93,044**
Capital investments of machineries and equipment	46,522	(17,618)	28,904	**(11,091)**	**17,813**
Expansion into Southeast Asia	23,261	—	23,261	**(49)**	**23,212**
Product customisation and development	23,261	(614)	22,647	**(1,484)**	**21,163**
Support sales and marketing	23,261	(2,265)	20,996	**(10,109)**	**10,887**
General working capital	23,261	(12,467)	10,794	**(10,794)**	**—**
	232,610	(32,964)	199,646	**(33,527)**	**166,119**

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 to declare an interim dividend of HK2.52 cents per share for the six months ended 30 June 2019 payable on Tuesday, 24 September 2019 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 6 September 2019. In order to determine the entitlement of the Shareholders to receive the interim dividend, the register of members of the Company will be closed on Friday, 6 September 2019, during which no transfer of shares of the Company will be registered. In order to be eligible to receive the interim dividend, all transfers of shares of the Company 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 Thursday, 5 September 2019.

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 2019 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 2019 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

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

During the six months period ended 30 June 2019, 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 six months ended 30 June 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 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 its own Security Dealing Code (the "**Code**") in terms no less than the required standards set out in 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. The Code is also applicable to the specified group of employees who may possess or have access to price sensitive information. In response to the specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the Code throughout the six months period ended 30 June 2019. 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 2019 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, 22 August 2019

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.