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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2024 amounted to HK\$721.1 million, representing a decrease of 1.1% from HK\$728.9 million as compared to the year ended 31 December 2023.
- Gross profit for the year ended 31 December 2024 amounted to HK\$246.0 million, representing an increase of 2.2% from HK\$240.6 million as compared to the year ended 31 December 2023.
- Gross profit margin increased from 33.0% for the year ended 31 December 2023 to 34.1% for the year ended 31 December 2024.
- Profit for the year ended 31 December 2024 amounted to HK\$59.1 million, representing an increase of 21.4% from HK\$48.7 million as compared to the year ended 31 December 2023.
- Net profit margin increased from 6.7% for the year ended 31 December 2023 to 8.2% for the year ended 31 December 2024.

* for identification purposes only

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tsit Wing International Holdings Limited (the “**Company**”) presents the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2024, together with the comparative figures for the previous financial year as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
REVENUE	4	721,117	728,930
Cost of sales		(475,157)	(488,377)
Gross profit		245,960	240,553
Other income and gains, net	4	17,323	5,937
Selling and distribution expenses		(101,962)	(102,829)
General and administrative expenses		(80,784)	(79,328)
Other expenses, net		(4,717)	(4,295)
Finance costs	5	(1,779)	(1,040)
PROFIT BEFORE TAX	6	74,041	58,998
Taxation	7	(14,950)	(10,287)
PROFIT FOR THE YEAR		59,091	48,711
Attributable to:			
Owners of the parent		59,091	48,711
		<i>HK cents</i>	<i>HK cents</i>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		8.20	6.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>59,091</u>	<u>48,711</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(4,008)</u>	<u>(4,466)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR	<u>(4,008)</u>	<u>(4,466)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>55,083</u></u>	<u><u>44,245</u></u>
Attributable to:		
Owners of the parent	<u><u>55,083</u></u>	<u><u>44,245</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	10	195,268	187,804
Deposits paid for purchases of items of property, plant and equipment		28,215	25,531
Prepayments, deposits and other receivables		1,773	1,519
Deferred tax assets		2,201	2,800
		<hr/>	<hr/>
Total non-current assets		227,457	217,654
CURRENT ASSETS			
Inventories	11	164,260	131,502
Trade receivables	12	100,707	115,169
Derivative financial instruments		96	—
Prepayments, deposits and other receivables		17,205	12,136
Tax recoverable		—	151
Cash and cash equivalents		170,446	253,752
		<hr/>	<hr/>
		452,714	512,710
Assets classified as held for sale	13	—	4,753
		<hr/>	<hr/>
Total current assets		452,714	517,463
CURRENT LIABILITIES			
Trade payables	14	77,250	63,360
Accruals and other payables		50,091	44,132
Derivative financial instruments		—	161
Interest-bearing bank borrowings	15	4,013	7,130
Lease liabilities		11,869	7,433
Tax payable		1,483	3,710
		<hr/>	<hr/>
Total current liabilities		144,706	125,926
NET CURRENT ASSETS		<hr/>	<hr/>
		308,008	391,537
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		535,465	609,191

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		17,345	10,524
Deferred tax liabilities		8,459	8,231
		<hr/>	<hr/>
Total non-current liabilities		25,804	18,755
		<hr/>	<hr/>
Net assets		509,661	590,436
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	72,073	72,073
Reserves		437,588	518,363
		<hr/>	<hr/>
Total equity		509,661	590,436
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention except for derivative financial instruments which have been measured at fair value. Assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. They are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

2.2 Changes in Accounting Policies and Disclosures

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

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

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

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

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

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

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

- (a) the beverage solutions segment processes and distributes coffee, tea and related complementary products, sells food and beverages, coffee and tea machines and other related products, and provides coffee and tea machine solutions; and
- (b) the food products (“**Food Products**”) segment trades frozen food.

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

Geographical information

(a) Revenue from external customers

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Hong Kong	503,715	492,303
Mainland China	200,455	219,344
Others	16,947	17,283
	<u>721,117</u>	<u>728,930</u>

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

(b) Non-current assets

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Hong Kong	143,649	122,863
Mainland China	79,834	90,472
	<u>223,483</u>	<u>213,335</u>

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

Information about a major customer

The Group’s revenues from sales to an external customer, which in aggregate exceeded 10% of the Group’s total revenue, amounted to HK\$185,621,000 for the year (2023: HK\$179,089,000).

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Types of goods or services		
Sales of coffee, tea and other related complementary products and processing services	691,205	697,372
Sales of frozen food	8,012	11,499
Income from provision of coffee and tea machine solutions	<u>21,900</u>	<u>20,059</u>
Total revenue from contracts with customers	<u><u>721,117</u></u>	<u><u>728,930</u></u>
Geographical markets		
Hong Kong	503,715	492,303
Mainland China	200,455	219,344
Others	<u>16,947</u>	<u>17,283</u>
Total revenue from contracts with customers	<u><u>721,117</u></u>	<u><u>728,930</u></u>
Timing of revenue recognition		
At a point in time	699,217	708,871
Over time	<u>21,900</u>	<u>20,059</u>
Total revenue from contracts with customers	<u><u>721,117</u></u>	<u><u>728,930</u></u>

Other income and gains, net

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	5,240	5,292
Gains on disposal of assets classified as held for sale and items of property, plant and equipment, net	11,624	—
Others	<u>459</u>	<u>645</u>
	<u><u>17,323</u></u>	<u><u>5,937</u></u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on bank borrowings	257	522
Interest on lease liabilities	1,522	518
	<u>1,779</u>	<u>1,040</u>

6. PROFIT BEFORE TAX

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories sold [^]	435,730	447,988
Depreciation [^] :		
Right-of-use assets	12,530	12,800
Other items of property, plant and equipment	25,351	26,401
	<u>37,881</u>	<u>39,201</u>
Amortisation of intangible assets ^{**}	—	90
Lease payments not included in the measurement of lease liabilities	923	1,013
Foreign exchange differences, net [*]	1,428	586
Reversal of impairment of trade receivables [*]	(814)	(437)
Impairment of trade receivables [*]	803	1,844
Write-off of deposits paid for purchases of items of property, plant and equipment [*]	404	—
Write-off of trade receivables [*]	1,056	363
Employee benefit expenses (including directors' remuneration) [^] :		
Salaries, wages, fees, bonuses and other benefits	114,020	110,662
Pension scheme contributions (defined contributing schemes)	5,971	5,956
	<u>119,991</u>	<u>116,618</u>
Total	<u>119,991</u>	<u>116,618</u>
Write-down of inventories to net realisable value [*]	764	619
Write-off of inventories [*]	320	436
(Gain)/loss on disposal of assets classified as held for sale and items of property, plant and equipment, net ^{**}	(11,624)	699
Losses on changes in fair value of derivative financial instruments, net [*]	756	185
	<u>756</u>	<u>185</u>

[^] The cost of sales for the year ended 31 December 2024 amounted to HK\$475,157,000 (2023: HK\$488,377,000), including, but not limited to, cost of inventories sold of HK\$435,730,000 (2023: HK\$447,988,000), depreciation charge of HK\$15,785,000 (2023: HK\$15,855,000) and employee benefit expenses of HK\$13,317,000 (2023: HK\$13,758,000).

[#] These amounts are included in "Other income and gains, net" on the face of the consolidated statement of profit or loss.

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

^{**} The amortisation of intangible assets is included in "General and administrative expenses" on the face of the consolidated statement of profit or loss.

7. TAXATION

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

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%). Taxes on profits assessable in Mainland China have been provided at the rate of 25% (2023: 25%).

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	8,401	7,731
(Over)/underprovision in prior years	(50)	7
Current — Mainland China		
Charge for the year*	5,714	1,829
Deferred	885	720
	<u>14,950</u>	<u>10,287</u>

* During the year ended 31 December 2024, a 5% withholding income tax amounting to HK\$3,544,000 (2023: Nil) was levied in respect of dividend distribution arising from profits of a subsidiary established in Mainland China.

8. DIVIDENDS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Dividends recognised as distributions during the reporting period:		
2022 final dividend — HK2.19 cents per ordinary share	—	15,784
2023 interim dividend — HK1.84 cents per ordinary share	—	13,261
2023 final dividend — HK2.22 cents per ordinary share	16,000	—
2024 interim dividend — HK2.76 cents per ordinary share	19,892	—
Special dividend — HK13.87 cents per ordinary share	99,966	—
	<u>135,858</u>	<u>29,045</u>
Dividend proposed after the end of the reporting period:		
Special dividend — Nil (2023: HK13.87 cents) per ordinary share	—	100,000
Proposed final dividend — HK2.16 cents (2023: HK2.22 cents) per ordinary share	15,563	16,000
	<u>15,563</u>	<u>116,000</u>

The special dividend has been calculated by reference to 720,731,512 shares in issue on 4 March 2024. It was paid on 11 March 2024.

The proposed final dividend for the year ended 31 December 2024 has been calculated by reference to 720,731,512 shares in issue on 6 March 2025 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount for the year ended 31 December 2024 is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 720,732,000 (2023: 720,732,000) outstanding during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>59,091</u>	<u>48,711</u>
	<i>'000</i>	<i>'000</i>
Shares		
Weighted average number of ordinary shares outstanding during the year, used in the basic and diluted earnings per share calculations	<u>720,732</u>	<u>720,732</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2024, the Group acquired property, plant and equipment of HK\$24,885,000 (2023: HK\$30,839,000) and recognised right-of-use assets of HK\$24,252,000 (2023: HK\$14,352,000).

11. INVENTORIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Raw materials	106,966	77,614
Work-in-progress	340	254
Finished goods	<u>56,954</u>	<u>53,634</u>
	<u>164,260</u>	<u>131,502</u>

12. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	106,206	126,252
Impairment	<u>(5,499)</u>	<u>(11,083)</u>
	<u><u>100,707</u></u>	<u><u>115,169</u></u>

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

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	95,102	100,546
31 to 60 days	3,716	7,614
61 to 90 days	1,425	4,844
91 to 120 days	250	1,435
121 to 180 days	96	396
Over 180 days	<u>118</u>	<u>334</u>
	<u><u>100,707</u></u>	<u><u>115,169</u></u>

13. ASSETS CLASSIFIED AS HELD FOR SALE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets held for sale		
Building and equipment	<u>—</u>	<u>4,753</u>

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

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

14. TRADE PAYABLES

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	75,406	62,544
1 to 2 months	849	45
2 to 3 months	13	18
Over 3 months	982	753
	<u>77,250</u>	<u>63,360</u>

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

15. INTEREST-BEARING BANK BORROWINGS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current		
Trust receipt loans — unsecured	<u>4,013</u>	<u>7,130</u>

16. ISSUED CAPITAL

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

17. SHARE OPTION SCHEMES

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

Eligible participants of the Schemes include, amongst others, 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 Adoption Date.

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

Share Option Scheme

No options were granted or agreed to be granted under the Share Option Scheme since its adoption.

Pre-IPO Share Option Scheme

The share options granted prior to the Listing under the Pre-IPO Share Option Scheme which had not been exercised before 10 May 2021 (being the day immediately before the third anniversary of the Listing Date) were already forfeited or lapsed in all on 10 May 2021 pursuant to the terms of the Pre-IPO Share Option Scheme. As such, the Company had no share options outstanding under the Pre-IPO Share Option Scheme as at 31 December 2024 and 2023.

18. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions, arrangements and balances detailed elsewhere in this Announcement, the Group had the following transactions with related parties based on terms agreed with respective parties during the year:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Purchase of goods via a supply chain service provider (<i>note 1</i>) engaged by a third party supplier	21,097	10,432
Purchase of goods via a distributor (<i>note 2</i>)	1,963	1,593
Logistics and storage costs charged by a warehouse and logistics service provider (<i>note 3</i>)	1,249	63
Original equipment manufacturing processing income from a coffee and tea manufacturer (<i>note 4</i>)	2,557	—
	<u>2,557</u>	<u>—</u>

Notes:

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Short term employee benefits	15,330	15,499
Post-employment benefits	927	870
	<u>16,257</u>	<u>16,369</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the last year, the Group faced significant market challenges as the price of coffee beans experienced unprecedented volatility, rising from US\$1.90 per lb to US\$3.20 per lb, representing an increase of approximately 68%. While the Group's strategic fixation of forward contracts for coffee commodity successfully protected margins during the first half of 2024 through previously secured pricing, the rapid acceleration of commodity costs in the second half of 2024 posed substantial challenges to its cost structure.

The Hong Kong food service market demonstrated resilience despite a marginal decline of approximately 0.1% in its overall sales, according to provisional data from the Census and Statistics Department. Through effective cost management and operational optimisation, the Group had a slight increase of 2.2% in gross profit, notwithstanding a significant rise in coffee costs. This performance reinforced the Group's leading position in Hong Kong's B2B coffee market and enabled further market share expansion.

In the PRC market, while the National Bureau of Statistics reported a 3% growth in the revenue of the food and beverage industry, the coffee retail segment experienced intensified competition, particularly with aggressive pricing strategies in the retail chains. In response, the Group adopted a prudent approach to market expansion, implementing enhanced credit risk management and maintaining strict oversight of accounts receivable.

The Group's operational enhancement initiatives yielded positive results, with the completed SAP system upgrade delivering measurable cost efficiencies. Additionally, the strategic restructuring of its PRC operations and streamlining of manpower have contributed to improved operational efficiency. These measures, together with prudent commodity cost management initiatives, helped the Group navigate through the challenges of elevated commodity prices.

REVENUE BY GEOGRAPHIC LOCATIONS

Hong Kong

For the year ended 31 December 2024, revenue generated in Hong Kong increased by HK\$11.4 million, or 2.3%, from HK\$492.3 million for the year ended 31 December 2023 to HK\$503.7 million for the year ended 31 December 2024. The increase in revenue generated in Hong Kong was primarily because of the increase in sales of coffee, tea and milk products as a result of an increase in customers' demand.

Mainland China

For the year ended 31 December 2024, revenue generated in Mainland China decreased by HK\$18.8 million, or 8.6%, from HK\$219.3 million for the year ended 31 December 2023 to HK\$200.5 million for the year ended 31 December 2024. The decrease in revenue was primarily due to the decrease in the sales volume of tea and instant products.

Others

In addition, the Group also sells a small portion of our products to Macau and other overseas regions including the United States, Australia, Canada, Malaysia, Guam, Singapore and Taiwan through distributors. For the year ended 31 December 2024, revenue generated in other markets slightly decreased by HK\$0.4 million, or 2.3%, from HK\$17.3 million for the year ended 31 December 2023 to HK\$16.9 million for the year ended 31 December 2024. The decrease in revenue was primarily as a result of a decline in demand from the overseas market.

BUSINESS PROSPECT

The business environment in 2025 continues to present significant challenges, with global coffee commodity prices reaching historic highs and market volatility affecting the Group's operating environment. The Group anticipates these market dynamics to remain complex in the near term, requiring careful navigation of the changing business landscape.

Despite these challenges, the Group maintains a strategic focus on sustainable growth through its comprehensive risk management initiatives and operational enhancement programs. The successful implementation of the Group's SAP system upgrade and strategic restructuring of the operations in Mainland China have strengthened our operational foundation. Furthermore, the commissioning of the Group's new coffee production line positions itself advantageously to capture emerging market opportunities.

The Group will maintain its disciplined approach to business development, focusing on three key strategic priorities: optimising production capabilities, enhancing operational efficiency, and prudently exploring growth opportunities in both markets in Hong Kong and Mainland China. The Group will remain vigilant in managing commodity costs and implementing cost optimisation initiatives, without compromising its product quality.

Looking ahead, while market conditions remain challenging, the Group is confident in its resilience and ability to navigate through these headwinds. The Group will continue to strengthen its market position through strategic initiatives while maintaining stringent cost control measures to ensure sustainable value creation for the shareholders and investors of the Company.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by HK\$7.8 million, or 1.1%, from HK\$728.9 million for the year ended 31 December 2023 to HK\$721.1 million for the year ended 31 December 2024. The decrease was primarily due to the decrease in revenue derived from the Group's tea and instant products in Mainland China, which was mainly attributable to a decrease in sales volume of these products as a result of the change of customers' demand in Mainland China.

Cost of Sales

The Group's cost of sales decreased by HK\$13.2 million, or 2.7%, from HK\$488.4 million for the year ended 31 December 2023 to HK\$475.2 million for the year ended 31 December 2024. The decrease in the cost of sales was primarily attributable to a decline in overall procurement costs of various raw materials during the year, partially offset by elevated average purchase prices for coffee beans.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by HK\$5.4 million, or 2.2%, from HK\$240.6 million for the year ended 31 December 2023 to HK\$246.0 million for the year ended 31 December 2024. The Group's gross profit margin increased from 33.0% for the year ended 31 December 2023 to 34.1% for the year ended 31 December 2024.

Other Income and Gains, Net

The Group's other income and gains, net increased by HK\$11.4 million from HK\$5.9 million for the year ended 31 December 2023 to HK\$17.3 million for the year ended 31 December 2024. The increase was primarily due to the resulting gain on disposal of HK\$11.6 million from the sale of assets classified as held for sale and items of property, plant and equipment.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by HK\$0.8 million, or 0.8%, from HK\$102.8 million for the year ended 31 December 2023 to HK\$102.0 million for the year ended 31 December 2024, primarily due to the decreases in (i) marketing and promotion expenses; and (ii) logistics expenses which were generally in line with the decrease in revenue.

General and Administrative Expenses

The Group's general and administrative expenses increased by HK\$1.5 million, or 1.9%, from HK\$79.3 million for the year ended 31 December 2023 to HK\$80.8 million for the year ended 31 December 2024. The increase was primarily a result of the general increment in staff costs.

Other Expenses, Net

The Group's other expenses, net increased by HK\$0.4 million, or 9.3% from HK\$4.3 million for the year ended 31 December 2023 to HK\$4.7 million for the year ended 31 December 2024. The increase was primarily a result of the losses on foreign exchanges caused by depreciation of the Renminbi currency.

Finance Costs

The Group's finance costs increased by HK\$0.8 million, or 80.0%, from HK\$1.0 million for the year ended 31 December 2023 to HK\$1.8 million for the year ended 31 December 2024. The increment was primarily the result of the increase in interest on lease liabilities as renewal of tenancy agreements and new leases were entered for business expansion.

Taxation

The Group's taxation increased by HK\$4.7 million, or 45.6%, from HK\$10.3 million for the year ended 31 December 2023 to HK\$15.0 million for the year ended 31 December 2024, mainly due to withholding taxes were levied in respect of dividend distributions arising from profit of foreign investment enterprise in Mainland China and the increase in profit before tax. The Group's effective income tax rate therefore increased from 17.5% for the year ended 31 December 2023 to 20.2% for the year ended 31 December 2024.

Profit For The Year and Net Profit Margin

The Group's profit for the year increased by HK\$10.4 million, or 21.4%, from HK\$48.7 million for the year ended 31 December 2023 to HK\$59.1 million for the year ended 31 December 2024. The Group's net profit margin increased from 6.7% for the year ended 31 December 2023 to 8.2% for the year ended 31 December 2024.

Capital Expenditure and Commitments

During the year ended 31 December 2024, the Group recorded additions of property, plant and equipment of HK\$24.9 million (2023: HK\$30.8 million). A substantial portion of the Group's capital expenditure for the year ended 31 December 2024 was in relation to (i) purchase of coffee and tea machines which were leased to the Group's customers, (ii) production machineries and (iii) enhancement of facilities.

As at 31 December 2024, the Group had capital commitments of HK\$5.0 million (2023: HK\$3.9 million), mainly comprising the amounts related to contracts of capital expenditure in the coffee roasting and packaging system and the upgrading of the ERP system.

Borrowings

As at 31 December 2024, the Group had total interest-bearing bank borrowings of HK\$4.0 million (2023: HK\$7.1 million).

Contingent Liabilities

During the years ended 31 December 2024 and 2023, the Group was not able to obtain the real estate ownership certificates for two warehouses located in Mainland China with costs of HK\$0.7 million and HK\$0.6 million, respectively. These two warehouses were fully depreciated in prior years. As the Group completed the construction of the relevant warehouses and commenced usage without obtaining the necessary construction planning permit and construction commencement permit prior to the construction and did not complete the filing of the necessary construction completion reports with the relevant authorities, the Group may be requested by the relevant authorities to demolish the construction and can be subject to a maximum penalty amounting to RMB1.3 million (equivalent to HK\$1.4 million) (2023: RMB1.3 million (equivalent to HK\$1.5 million)). Having considered the current practice of the relevant authorities and the advice from the Group's legal counsel, the Directors believe that it is not probable that the relevant authorities will impose the penalty. In addition, the Directors considered the cost of demolition of the two warehouses is not material to the Group. Accordingly, no provision for the relevant liability has been made.

Litigation Matter

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

Gearing Ratio

As at 31 December 2024, on the basis of total interest-bearing bank borrowings divided by equity attributable to owners of the parent, the Group's gearing ratio was 0.8% (2023: 1.2%). The decrease in gearing ratio was mainly due to a decrease in the outstanding balance of interest-bearing bank borrowings.

Foreign Currency Risk

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

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 the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity Risk

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

HUMAN RESOURCES

As at 31 December 2024, the Group employed 198 and 176 (2023: 195 and 203) employees in Hong Kong and Mainland China, respectively.

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

During the year ended 31 December 2024, the Group provided various trainings to its employees ranging from operation skills such as occupational safety training and machine control training to professional knowledge including management systems and business knowledge, to ensure the effective implementation of the Group's business strategy.

DIVIDEND

The Board has proposed the payment of a final dividend of HK2.16 cents per ordinary Share in respect of the year ended 31 December 2024 (2023: HK2.22 cents per ordinary Share), to shareholders whose names appear on the register of members of the Company on Wednesday, 7 May 2025. The total payout will amount to HK\$15.6 million (2023: HK\$16 million) based on 720,731,512 Shares outstanding on 6 March 2025. The proposed dividend will be paid on or before Thursday, 22 May 2025, subject to approval of the Company's shareholders at the forthcoming annual general meeting of the Company (the "AGM").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 April 2025 to Tuesday, 29 April 2025, both days inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 23 April 2025.

In addition, in order to determine the entitlement of the shareholders to receive the proposed final dividend, if approved, the register of members of the Company will be closed on Wednesday, 7 May 2025, during which no transfer of Shares will be registered. In order to be eligible to receive the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 May 2025.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with terms of reference in compliance with Rules 3.21 and 3.22 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and code provision D.3 of the Corporate Governance Code as contained in Appendix C1 to the Listing Rules (the "**CG Code**"). The Audit Committee consists of three independent non-executive Directors, namely Mr. Tang Kwai Chang (Chairman), Mr. Wong Man Fai and Mr. Lok Kung Chin Hardy. The Audit Committee reviewed with the management the accounting policies and practices adopted by the Company and discussed the auditing, internal control and financial reporting matters.

The Audit Committee has reviewed the Group's consolidated financial statements and annual results for the year ended 31 December 2024. The Audit Committee is of the view that the financial statements have been prepared in accordance with the applicable accounting standards and in compliance with the Listing Rules and relevant statutory provisions, and is satisfied that sufficient disclosures have been made.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Company's auditors, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2024. The work performed by the Company's auditors in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditors on the preliminary announcement.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from 1 January 2024 and up to the date of this announcement.

PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure in this announcement that has taken place subsequent to 31 December 2024 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 29 April 2025, for the purpose of, among other things, approving the payment for a final dividend of HK2.16 cents per ordinary Share. For details of the AGM, please refer to the Notice of AGM, which will be published and issued to the shareholders in due course.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to striving for good corporate governance practices and emphasising 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 (to the extent that such provisions are applicable) during the year ended 31 December 2024, ensuring that the Company is up to the requirements as being diligent, accountable and professional, except for a deviation from code provision C.2.1 of the CG Code in respect of the roles of chairman and chief executive officer of the Company.

Pursuant to code provision C.2.1 of the 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 the chief executive officer of the Company, responsible for formulating the overall business development strategy and planning of the Group. In view of Mr. Wong having been responsible for the overall management of the Group since 1978, the Board considered that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Company’s business strategies and maximises the effectiveness of its operations.

The Board shall nevertheless review the structure from time to time and shall consider 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-making under the present arrangement and provided sufficient protection to its and its shareholders’ interests. Further, the Audit Committee has free and direct access to the Company’s external auditors and independent professional advisers when it considers necessary. Therefore, the Directors consider that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted its own Securities Dealing Code (the “**Code**”) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix C3 to the Listing Rules. The Code is also applicable to the specified group of employees who may possess or have access to price sensitive information. Specific enquiries were made to all Directors, and all Directors have confirmed compliance with the required standards set out in the Code throughout the year ended 31 December 2024.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.twcoffee.com). The annual report of the Company for the year ended 31 December 2024 will be dispatched to shareholders of the Company and published on the aforesaid websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 6 March 2025

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