



# **The HKICPA Accounting and Business Management Case Competition**

**2020-21**

**(Level 1)**

Tsit Wing International Holdings Limited (Tsit Wing), and its subsidiaries (hereinafter referred to as the “Group”) is a leading integrated Business-to-Business (B2B) food and beverage solution provider in Hong Kong. Since the Group’s establishment in Hong Kong in the early 1930s, it has gradually built an established sales and distribution network in the Hong Kong Foodservice Industry. Today, the group command a substantial market share and is one of the leading coffee, tea and beverage solution providers to the Hong Kong’s Foodservice industry. On 11 May 2018, Tsit Wing was listed on the Main Board of the Hong Kong Stock Exchange, under the stock code: 2119.

Backed by a global sourcing network and a sophisticated quality control system with certified recognitions including ISO9001, ISO22000 and HACCP, the group provides a one-stop service to its customers from market analysis, recipe development, sourcing, production, marketing & promotional support, to after-sales service that includes regular customer training and equipment maintenance. The beverage solution segment of the business brings in over 95% of the Group’s revenue. With a commitment to business diversification and riding on an evolving market, the Group is committed to expanding its portfolio and business diversification. More than 10 years ago, the Group started to establish a vision to becoming a world class Food & Beverage Service Solution Provider thus expanding its product portfolio to include food solution with a focus on the supply of frozen processed food and raw, cut & sliced meat products to cater to customer needs and riding on the upcoming market trends.

The Group believes in the spirit of 2 “Es” – Education & Experience in promoting their business hence has established an Education and Experience Center called the EXEC, a fully-equipped facility to showcase and to share food & beverage solution knowhow, applications and best practice with its customers and stakeholders. In addition, TWG Coffee Connoisseurs Academy (TWGCCA) was established to provide seminars and training to commercial and academic institutions in promoting the coffee culture in Hong Kong. Under the spirit of the 2 Es, TWGCCA started to co-organize special thematic tours with well-renowned travel agencies. The tours were opened to the public and the first one was a coffee thematic tour to Italy in 2018.

In December 2019, the Group made a significant step into the Business-to-Consumers (B2C) market and Online-to-Offline (O2O) commerce by establishing an online flagship store on Tmall.com, “Tsit Wing Flagship Store”, that sells a varieties of B2C coffee & tea products. Such an online sales platform enables the Group to reach out to end-consumers and widen its customer base from 2b to 2c and 2o.

For the year ended 31 December 2019, the Group’s recorded revenue from continuing operations was HK\$785.0 million, representing a decrease of 5.5%, compared to the year ended 31 December 2018 (2018: HK\$831.1 million). Regarding geographic segments, revenue generated in Hong Kong is maintained at around HK\$499.0 million from 2018 to 2019 regardless of the battered business environment for the food and beverage industry of Hong Kong. However, revenue generated in Mainland China decreased from HK\$314.0 million in 2018 to HK\$267.0 million in 2019, primarily due to the decrease in sales of instant beverage mix products. Besides, the Group also sells a small portion of products to Macau and other overseas countries through distributors and generates HK\$19.0 million in 2019, a HK\$0.9 million increase from 2018. The Group’s profit from continuing operations increased by 22.6%, from HK\$73.2 million in 2018 to HK\$89.8 million in 2019.

**REQUIRED**

Assume that you are newly employed by **Tsit Wing** as a financial analyst. Your supervisor asks you to prepare a report to analyze the Group's financial and business environment. Your report should include the following sections:

**A) Financial analysis**

A tabular analysis of **Tsit Wing Group's** financial ratios with appropriate interpretation.

1. Use the information on **Tsit Wing Group's 2019 Annual Report** to prepare your answers. The financial statements for 2018 have been restated and shown on the 2019 annual report.
2. Apply "Year-end" (i.e. 31 December) figures on the Consolidated Statement of Financial Position to work out your answers for this part.
3. Apply the information of "continuing operations" on the Consolidated Statement of Profit or Loss to work out your answers for this part.
4. For all ratios, show calculation workings and keep two decimal places.

	Formula	Ratios		2019 Annual Report Ref. page	
		2019	2018		
Profitability ratios					
Mark up	$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times 100\%$	%	%	p. 82	
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Revenue}} \times 100\%$	%	%	p. 82	
Net Profit Margin	$\frac{\text{Profit Before Tax}}{\text{Revenue}} \times 100\%$	%	%	p. 82	
Return on Capital Employed	$\frac{\text{Profit Before Interest and Tax}}{\text{Capital Employed}} \times 100\%$ <i>Hints: Capital Employed for Limited Companies = Non-current Liabilities + Total Equity</i>	%	%	p. 82, p. 86	
Comments					
Management Efficiency ratios					
Inventory Turnover	$\frac{\text{Cost of Sales}}{\text{Inventories}}$	times	times	p. 82, p. 85	
Trade Payables Turnover	$\frac{\text{Credit Purchase}}{\text{Trade Payables}}$ <i>Hints: Credit Purchase = Closing Inventories + Cost of Sales – Opening Inventories Inventories on 31 December 2017: \$195,370,000.</i>	times	times	p. 82, p. 85	
Total Assets Turnover	$\frac{\text{Revenue}}{\text{Total Assets}}$	times	times	p. 82, p. 85	
Comments					
Liquidity ratios					
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	____:1	____:1	p. 85	
Quick Ratio	$\frac{\text{Current Assets} - \text{Inventories} - \text{Prepayments}}{\text{Current Liabilities}}$	____:1	____:1	p. 85	
Comments					

Solvency ratios				
Gearing Ratio	$\frac{\text{Interest-bearing Bank Borrowings}}{\text{Share Capital} + \text{Reserves}} \times 100\%$	%	%	p.85, p. 86
Comments				
Return on investment ratios				
Earnings Per Share (EPS)	$\frac{\text{Profit Attributable to Owners of the Parent}}{\text{Weighted-average No. of Ordinary Shares}}$ <i>Hints: use the "Profit attributable to owners of the Parent – from continuing operation"</i>	\$ _____ /share	\$ _____ /share	p. 83, p. 159
Comments				

(70 marks)

**B) Business analysis**

A business analysis for each of the following three areas to identify at least **four** examples of **Tsit Wing Group's** achievements and make **one** suggestion for improvement with reference to:

- 2019 Annual Report;** and
- 2019 Environmental, Social, and Governance Report.**

Environmental Protection	Achievements:
	Improvement:
Corporate Social Responsibility	Achievements:
	Improvement:
Corporate Governance	Achievements:
	Improvement:

(30 marks)

(Total: 100 marks)

**Notes**

- (1) In preparing your analysis, you should refer to **Tsit Wing's** website at [http://www.twcoffee.com/en/announcements?page\\_num=1](http://www.twcoffee.com/en/announcements?page_num=1).
- i. 2019 Annual Report is announced on 31 March 2020, and
  - ii. 2019 Environmental, Social, and Governance Report is announced on 12 May 2020.
- (2) You are required to carry out a tabular financial analysis for **the past TWO years, for the years ended 31 December 2018 and 2019**. All calculations should follow the appropriate formulas and be supported by appropriate workings. Keep two decimal places in your answers.
- (3) Make clear references to all materials used in the analysis.

**Useful reference**

**HKICPA Accounting and Business Management Case Competition Website**

<https://www.hkicpa.org.hk/amcc>

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**Competition Facebook Page**

<https://www.facebook.com/hkicpacompetition/>

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**Tsit Wing International Holdings Limited website**

<http://www.twcoffee.com/en/>

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## REPORT FORMAT AND RULES

- Each participating student or team should submit a report in English or Chinese. The language used depends on the choice indicated on the registration form. The report should contain the following:

- Cover sheet\* (This page is not counted in the page limit.)
- Table of contents
- Contents – A)Financial analysis  
B)Business analysis
- Appendices/ graphs/ index/ references (if any)

### **Page limit**

English report – 4-6 pages of A4 paper

Chinese report – 3-4 pages of A4 paper

*\* Each report should use a standardized HKICPA cover sheet with the name(s) of the participating students, the school at which they are studying, as well as the contact number and e-mail address of the team leader. The cover sheet is appended at the end of the case question for download.*

- Font type and size: English report – Arial (12 points). / Chinese report –新細明體 (11 points). 1.5 line spacing. Margin: 1 inch for each side.
- The content pages **SHOULD NOT** include the names of team members and the school at which they are studying.
- Each participating student or team needs to submit the following items in **SOFT COPY** (PDF format):
  - An analysis report; and
  - An HKICPA cover sheet.
- Save the analysis report and cover sheet in **TWO** separate files with respective file names being shown as:
  - "Team leader full name\_Team leader mobile phone no.\_Analysis Report"  
(e.g. Chan Tai Man\_98765432\_ Analysis Report)
  - "Team leader full name\_Team leader mobile phone no.\_Cover Sheet"  
(e.g. Chan Tai Man\_98765432\_ Cover Sheet)
- Each participating student or team should send the TWO PDF files **in one email** to [amcc@hkipa.org.hk](mailto:amcc@hkipa.org.hk), with the subject as "Accounting and Business Management Case Competition 2020-21 (Level 1)". **Multiple submissions will be disqualified.**
- The deadline for submission: **Before 23:59, 16 February 2021** (the email receiving time by the HKICPA's mailbox shall prevail).
- The HKICPA has the right to disqualify any participant or team if the participant or team is found to have violated the rules of the competition.
- Please scan the QR code on the right to complete an online questionnaire for the competition.





**The HKICPA Accounting and Business Management Case Competition 2020-21 (Level 1)**  
**Cover Sheet**

(Please attach this cover sheet to your analysis)

(Please complete in BLOCK LETTERS)

**School name**

**Format**

Team / Individual # (#please delete as appropriate)

**Participant information:**

Team leader / Individual participant

Name\*

Form

Email

Contact number

Team member 2 (if any) Name\*

Team member 3 (if any) Name\*

Team member 4 (if any) Name\*

Team member 5 (if any) Name\*

*\*The name provided should be identical to the name on your identity card, which will be used for printing certificate.*

**Document checklist (Please ✓ the boxes.)**

- ☐ Email this cover sheet  
☐ An analysis report (PDF format)

*^Any missing documents or incomplete analysis may result in the disqualification of your participation.*

**For official use:**

Report received on: \_\_\_\_\_

Total marks: \_\_\_\_\_

Team no.: \_\_\_\_\_

Handled by: \_\_\_\_\_

Remarks: \_\_\_\_\_