

HKICPA

Accounting and Business Management Case Competition 20-21

PART 1

- A. Executive Summary
- B. Introduction
- C. Ratio Analysis

PART 2

- D. Tsit Wing's Operations in Hong Kong
- E. SWOT Analysis
- F. Business Plan
- G. Conclusion

PART 3

- H. Appendix

2

2

3

6

8

10

17

17



PART 1

A. Executive Summary

(i) Current state of business: According to the Frost & Sullivan Report, Tsit Wing (TW) is the largest business-to-business(B2B) coffee and black tea solutions provider in Hong Kong in 2016 with 24.5% of the market share in terms of B2B revenue. In 2018, the Group was listed on the Main Board of Hong Kong's stock exchange market under the stock code 02119. It is expanding its business-to-customer (B2C) and Online-to-Offline (O2O) market.

(ii) Corporate's Vision: TW aims to become a one-stop integrated food and beverages services provider in Hong Kong, Macau and the PRC. The Group aims to achieve the above goal by catering to customer needs, riding on the upcoming market trends and selling to caterers.

(iii) Key Findings of Financial and SWOT analysis: Improvements can be seen from TW's profitability, management efficiency, solvency ratios, showing TW has good internal operation and is capable of increasing revenue from existing customer base. However, TW was inefficient to generate profits from its long-term capital invested and in managing assets. TW also faces tough competition in the same industry, especially in the B2C market.

(iv) Key recommendation: The key strategies include diversifying TW's customer base and increasing the variety of food and beverages sold. This can be achieved by conducting a larger scale of online promotion, setting up physical stores and partnering up with a hotel. Campaigns such as café, mobile truck, special tea flavours, coffee capsules, and app improvements are also recommended.

B. Introduction

- 1. Background:** Tsit Wing International Holdings Limited (The Group) is a food and beverage provider that majors in providing coffee and black tea solutions in the B2C and O2O market. An increase in sales revenue can be seen in 2019. In this proposal, the financial performance and SWOT will be analysed to review TW's performance in 2018 and 2019.

2. Objectives and Scope: The proposal aims to **augment The Group's brand name** by providing **more types of food** and **expanding its customer base** such that it can **become a one-stop food and beverage service provider**. A **market survey** was conducted to investigate young adults' understanding of TW and the **potential of this customer base**. Several suggestions are made, aiming to help achieve the vision above.

C. Ratio Analysis

Profitability Ratio	Formula	2019	2018
Gross Profit Margin	$\frac{\text{gross profit}}{\text{sales}} \times 100\%$	$\frac{309,832,000}{784,998,000} \times 100\%$ = <u>39.47%</u>	$\frac{314,178,000}{831,072,000} \times 100\%$ = <u>37.80%</u>
Net Profit Margin	$\frac{\text{net profit before tax}}{\text{revenue}} \times 100\%$	$\frac{111,279,000}{784,998,000} \times 100\%$ = <u>14.18%</u>	$\frac{92,648,000}{831,072,000} \times 100\%$ = <u>11.15%</u>
Return on average capital employed	$\frac{\text{net profit before interest and tax}}{\text{average capital employed}} \times 100\%$	$\frac{111,279,000+3,509,000}{(554,327,000+22,988,000) \div 2} \times 100\%$ = <u>20.03%</u>	$\frac{92,648,000+4,513,000}{(232,060,000+57,441,000+22,988,000+554,327,000) \div 2} \times 100\%$ = <u>22.42%</u>
Return on Average Assets	$\frac{\text{net profit after interest and tax}}{\text{average total assets}} \times 100\%$	$\frac{89,813,000}{(165,832,000+572,871,000+142,127,000+719,414,000) \div 2} \times 100\%$ = <u>11.23%</u>	$\frac{73,240,000}{(147,473,000+433,988,000+142,127,000+719,414,000) \div 2} \times 100\%$ = <u>10.15%</u>

The **overall profitability increased** in 2019. Despite the slight decrease in gross profit and revenue, both gross profit margin and net profit margin increased by 1.66% and 3.65% respectively in 2019, the notable increase of \$18,631,000 in net profit before tax indicating the group had a **higher ability to control cost of sales and operating expenses**. Since the Group had a greater increase in average capital employed than that in net profit in 2019, this led to a marginal decrease in return on average capital employed, reflecting that it was **less efficient to generate profits from its long-term capital invested**. The notable increase in net profit

before tax and increase in average assets, the return on average assets increased, shows **higher efficiency in utilising assets to generate profits.**

Management Efficiency Ratio	Formula	2019	2018
Average Inventory Turnover Period	$\frac{\text{average inventory}}{\text{cost of sales}} \times 365 \text{ days}$	$\frac{(125,748,000+205,795,000) \div 2}{475,166,000} \times 365 \text{ days}$ = <u>127.34 days</u>	$\frac{(195,370,000+205,795,000) \div 2}{516,894,000} \times 365 \text{ days}$ = <u>141.64 days</u>
Average Trade Payables Repayment Period	$\frac{\text{average trade payables}}{\text{credit purchases}} \times 365 \text{ days}$	$\frac{(125,748,000+205,795,000) \div 2}{(125,748,000+475,166,000-205,795,000)} \times 365 \text{ days}$ = <u>76.12 days</u>	$\frac{(195,370,000+205,795,000) \div 2}{(205,795,000+516,894,000-195,370,000)} \times 365 \text{ days}$ = <u>63.29 days</u>
Average Total Assets Turnover	$\frac{\text{revenue}}{\text{average total assets}}$	$\frac{784,998,000}{(165,832,000+572,871,000+142,127,000+719,414,000) \div 2}$ = <u>0.98 times</u>	$\frac{831,072,000}{(142,127,000 + 719,414,000 + 147,473,000 + 433,988,000) \div 2}$ = <u>1.15 times</u>

In general, the Group was **less efficient in managing assets** despite **improved inventory management**. The average inventory turnover period shortened by 14.3 days in 2019, reflecting **faster pace of inventory being sold and lower risk of inventory obsolescence**. However, the average settlement time to credit suppliers increased by 12.83 days, indicating **slower payment to credit suppliers and may lead to dissatisfaction of suppliers and quicker payment demand**. The average total assets turnover dropped by 14.83% in 2019. This implies that the Group was **not utilising assets efficiently to generate revenue**.

Liquidity Ratio	Formula	2019	2018
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Current ratio	$\frac{\text{current assets}}{\text{current liabilities}}$	$\frac{572,871,000}{169,764,000}$ = <u>3.37:1</u>	$\frac{719,414,000}{284,226,000}$ = <u>2.53:1</u>
Quick ratio	$\frac{\text{current assets} - \text{inventory} - \text{prepayments}}{\text{current liabilities}}$	$\frac{572,871,000 - 125,748,000 - 12,852,000}{169,764,000}$ = <u>2.56:1</u>	$\frac{719,414,000 - 205,795,000 - 19,577,000}{284,226,000}$ = <u>1.73:1</u>
Cash ratio	$\frac{\text{cash and cash equivalent}}{\text{current liabilities}}$	$\frac{315,211,000}{169,764,000}$ = <u>1.86:1</u>	$\frac{328,684,000}{284,226,000}$ = <u>1.16:1</u>

The Group had **improved liquidity** due to a drastic decrease of \$112,849,000 in interest-bearing bank borrowings in 2019. The increase in current ratio, quick ratio and cash ratio implies a **wider working capital gap** and **more liquid assets to meet short-term obligations**. It was favourable to have a **higher immediate debt paying ability and a more stable cash position** under the disadvantageous business environment in 2019.

Solvency Ratio	Formula	2019	2018
Gearing ratio	$\frac{\text{interest-bearing bank borrowings}}{\text{share capital} + \text{reserves}} \times 100\%$	$\frac{26,154,000}{76,394,000 + 473,341,000} \times 100\%$ = <u>4.76%</u>	$\frac{139,003,000}{76,207,000 + 460,301,000} \times 100\%$ = <u>25.91/29.12%</u>
Debt to Equity Ratio	$\frac{\text{total liabilities}}{\text{total equity}} \times 100\%$	$\frac{169,764,000 + 19,004,000}{549,735,000} \times 100\%$ = <u>34.34%</u>	$\frac{284,226,000 + 22,988,000}{554,327,000} \times 100\%$ = <u>55.42%</u>
Time Interest Earned	$\frac{\text{profit before interest and tax}}{\text{financing costs}} - 1$	$\frac{111,279,000 + 3,509,000}{3,509,000} - 1$ = <u>32.71</u>	$\frac{92,648,000 - 4,513,000}{4,513,000}$ = <u>19.53</u>

The Group had **satisfactory improvement in solvency and long-term debt paying ability**. Attributing to the settlement of interest-bearing bank borrowings, there was a notable decline of 83.65% in gearing ratio in 2019. This indicates the **financing structure shifted from debt financing to equity financing** in 2019. Moreover, the

debt-to-equity ratio dropped by 38.04%, reflecting the **decreasing leverage and solvency risk**. The increase in the time interest earned shows that the Group was **more capable of meeting interest obligations** due to higher profitability and lower interest burden.

Return On Investment Ratios	Formula	2019	2018
Earnings per share (EPS)	$\frac{\text{profit attributable to owners of the parent}}{\text{weighted average number of ordinary shares}}$	$\frac{89,813,000}{762,931,000}$ = <u>\$0.12 / share</u>	$\frac{73,240,000}{707,571,000}$ = <u>\$0.10 / share</u>
Price-earnings Ratio (P/E ratio)	$\frac{\text{profit attributable to owners of the parent}}{\text{weighted average number of ordinary shares}}$	$\frac{1.09}{\$0.12}$ = <u>9.08 times</u>	$\frac{1.06}{\$0.10}$ = <u>10.6 times</u>

With higher profitability in 2019, EPS increased by about \$0.1, reflecting **higher potential return was expected** for shareholders. Since the increase in market price per ordinary share was smaller than the increase in EPS in 2019, P/E ratio dropped slightly. This **weakened shareholders' confidence** in the Group's operation and the Group was **less attractive to potential investors** despite higher profit generating ability.

PART 2

D. Business Plan

i. Tsit Wing's Operations in Hong Kong

Item	Details	Formula	Increase/Decrease from 2018 -2019
Type of goods/service	Sales of coffee, tea and other related products	$\frac{739,895,000-786,538,000}{786,538,000} \times 100\%$	-5.93%
	Sales of frozen processed food	$\frac{19,386,000-22,338,000}{22,338,000} \times 100\%$	-0.13%

	Rental income from leasing of coffee and tea machines	$\frac{25,553,000-21,945,000}{21,945,000} \times 100\%$	+0.16%
	Food and beverage store operations	$\frac{164,000-251,000}{251,000} \times 100\%$	-0.35%
Geographical markets	Hong Kong	$\frac{498,965,000-499,031,000}{499,031,000} \times 100\%$	-0.01%
	Mainland China	$\frac{267,032,000-313,985,000}{313,985,000} \times 100\%$	-14.95%
	Others	$\frac{19,001,000-18,056,000}{18,056,000} \times 100\%$	+5.23%
Timing of revenue recognition	Goods transferred at a point in time	$\frac{759,445,000-809,127,000}{809,127,000} \times 100\%$	-6.14%
	Services transferred over time	$\frac{25,553,000-21,945,000}{21,945,000} \times 100\%$	+16.44%

In terms of **type of food and services**, there was a **decrease** in percentage of revenue generated from **sales of beverage products**, **frozen food** and **store operations** while an increase in revenue generated from **leasing coffee and tea machines** can be seen, showing TW should **strive for growth in sales of products**.

In terms of **geographical markets**, Hong Kong acts as the **primary serving market**. It is notable that the percentage of revenue from Mainland China has decreased significantly due to the **decrease in sales volume** of **instant beverage mix products**. Revenue from Macau increased as a result of **growth in customers' demand**. **More promotions and campaigns** should be conducted, especially in **Hong Kong and Mainland China** to **retain customers**.

In terms of **timing of revenue recognition**, the revenues are recognised when services transferred increased and vice versa. This shows TW should **improve the sales of products** to maintain sustainable revenue.

ii. SWOT analysis

Strengths

1. Diverse B2B customer base

TW has been the leading food and beverage solutions in Hong Kong since 2013 and collaborated with well-known fast food brand **McDonald**, **Mitsui**, etc. This

can mitigate the company's risk as different partnerships with different firms can reduce the risk of suffering great losses in an economic downturn in the industry. The company's cash flow is secured with large, anchor clients while maintaining keeping smaller clients to foster creativity and innovation. Working on distinct projects in the industry present opportunities to try something new.

2. Active reactions towards customer trends

Due to the COVID-19 lockdown and the hectic lifestyle of Hong Kongers, their shopping habits shifted from physical to online shopping as it provides more convenience and faster delivery service. TW established an online flagship store on Tmall.com, a step into the B2C market and O2O commerce in 2019, selling a variety of coffee and tea products. Prevalence and popularity of online platforms allows TW to reach out to end-customers and widen its customer-base. TW can keep up to the market trend and customers' taste.

3. Provide education and experience to the public

TW has established an Education and Experience center called EXEC that can showcase and share food and beverage solution with its stakeholders, and TWG Coffee Connoisseurs Academy to provide training to institutions and co-organize tours with well-known travel agencies to promote coffee culture in Hong Kong. This can clear up tourists' misconceptions about the industry and educate them on the coffee culture that may attract them to invest or work in the company and industry.

4. Well-established foundation

TW is a leading integrated food and beverage solution provider in Hong Kong that has a history of over 80 years. The company has been qualified for strict commitment to internationally recognized standards of product safety and quality. It is listed on the Main Board. The prestige history and traditional influence can attract more collaborations with companies which increases its capital and market status.

Weaknesses

1. Insufficient Promotion

TW has insufficient online promotion as it only uses its website and Facebook to promote. The likes' range in TW's Facebook posts is only 5-60, showing customers are not updated by TW's discounts and products, potential customers cannot be attracted. Also, few people know about TW because of its

advertisements on mass media, showing insufficient physical promotion platforms that leads to a narrow customer base, demonstrating a low awareness of TW in the local community.

2. Narrow scope of customer group

As coffee and tea sales brings over 95% of the Group's revenue, TW should diversify its customers in the area. Despite TW's success in B2B market, half of the respondents who drink tea and coffee get their drinks mostly from supermarkets or cafes such as Wellcome and ParkNShop, both of which are not TW's main partners. And coffee-drinkers mostly get the beverages from more well-known B2C companies such as Nescafe. This limits TW's customer group and decreases its competitiveness.

Opportunities

1. Potential market in the Greater Bay Area (大灣區)

The company has plans to focus even more on Southern China and the Greater Bay Area and further expand their business to China and other places in the world. Due to the increasing standard of living and purchasing power of residents in the Greater Bay Area, TW has purchased 73 hectares of land in Dongguan, that connects Shenzhen and Guangdong, in the Area. It is seen to have global growth potential that could rival global cities, in which expanding factories and production lines could pave TW's way to achieving their vision to become a world-class integrated food and beverage service provider.

2. Expanding frozen food markets

Frozen food sales may decrease from rising pork prices and economic recession. But meat consumption remains a necessity for most HK people. Due to the COVID-19 pandemic, many people have chosen to buy frozen food from supermarkets to ensure food safety. TW is planning to launch its frozen food production line in the first quarter of 2021. It is a feasible idea for TW to further research in the market and expand further into the frozen food market to boost sales or to compensate for the loss.

Threats

1. Unfavourable business environment

Riots have broken out from 2019-2020. About 40 regions have issued travel warnings for tourists to Hong Kong in 2019, cultivating tourists' fear and avoidance towards Hong Kong. Sales is expected to drop drastically in the future as Hong Kong's economy is heavily dependent on tourism. The number of tourists visiting Hong Kong has a vital drop of 9 million due to the pandemic. Pandemic restrictions and "Work from home" policy also discouraged consumerism, in turn decreasing Tsit Wing's sales.

2. Competition from similar industries

TW desires to expand from B2B company to B2C and O2O commerce. The company will need to explore new markets and customer bases, facing fierce competition within the industry, including Dah Chong Hong Holdings Ltd, Eugina Ltd etc.

iii. Business Plan to improve Tsit Wing Group's beverage and food operations

a. Online measures

Initiative 1: Update inbuilt features

Cherry & Leaf will enhance its responsiveness, app interface and frequently update products' availability or price changes. A new section where TW's activities or discounts will be posted for customers to catch up to.

Rationale 1 – Enhancing relationship with customers:

According to the survey, functions and discounts of the app contributes most to respondents' decision in downloading a shopping app. Several respondents have suggested by responding to their opinions, customers will feel their opinion heard and respected. Therefore, it will increase customer loyalty.

Rationale 2 – Increase online sales and promotion:

With its friendly user interface and frequent updates, customers are more drawn to using the app and will be prompted to make more purchases, leading to an increase in sales.

Initiative 2: Installing virtual Hideout Cafe in Cherry and Leaf

Users have to register for free as TW's member to join the game which only requires their email. In the game that models the physical Hideout café(Refer to Offline

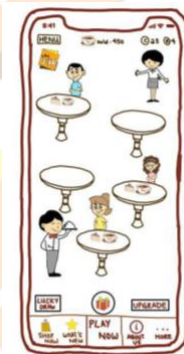


Measure, Initiative 1), in-game customers will place their orders for food and beverages, mostly coffee and tea. Players, who play the role of the chef will have to earn coins and reputation points by completing orders, Coins and reputation points can be used to buy coffee recipes, level up their equipment and redeeming TW's actual e-coupons. All food and packaging appearances in the game will be based on real-life TW products if applicable and feature TW's logo. For 500 cups of coffees sold, users are able to get a \$25 coupon from TW. For 1,500 cups sold, users are able to claim a free coffee from the physical cafe.

Rationale 1 – Promotion of TW's products by app gamification: The cafe game gamifies the original shopping app and features TW's real products, which can increase users' knowledge and awareness of TW and be constantly updated by TW's new products. The app encourages users to check the real shopping section in Cherry and Leaf and purchase items, thus boosting sales.

Rationale 2 – Building up subconscious effect in customers: E-coupons, earning points and coins acts as incentives and prompts competitive users to spend more time playing on the app. A subconscious habit is built in customers to login in the app to complete orders, attracting gamers as a loyal customer base.

Rationale 3 – Boosting online and offline sales: Customers may consider using coins and reputation points to redeem e-coupons. Discounts induce customers to make purchases and redeeming actual coffee sparks users' curiosity of the cafe. O2O sales can be boosted by high engagement rate through the app.



Initiative 3: Collaboration with Key Opinion Leaders (KOL)

TW can invite KOL into EXEC to do promotion shooting and interviews. KOL will post interview snippets and advertisements on their social media accounts such as Instagram and Facebook while TW will tag the guests and KOLs in Instagram stories and posts.

Rationale 1 – Diversify customer base and increase brand awareness: As fans follow their idols' hobbies and promotions, and as KOLs are very well-known and have a stable fanbase already, TW can increase their brand awareness with KOLs' constant promotion in different social media platforms. TW can thus gain attention from KOLs' fanbase and hence, expand and diversify their customer base.

Rationale 2 – Advertisement with low cost: It is very expensive to carry out direct advertisements in MTR stations. With KOLs' existing large fanbase and their social

media influence, **advertisement with low cost** can be achieved, **preventing unguaranteed return from extensive promotion strategies and large capital pool.**

b. Offline platforms:

Initiative 1 : Install a young-adult based café (Hideout Café)

Since the Group offers beverages and frozen food, opening a **physical cafe** can be a place to **directly sell** its products to customers. The cafe will also **sell small lunch sets** using frozen meat from TW's frozen meat processing line. The cafe offers a **membership system**, customers become TW members by installing and creating an account for **Cherry and Leaf**. 90% discount will be offered to students wearing uniforms.

Rationale 1 – Explore young adults market: TW's operation mainly focused on B2B but lacks B2C customers. According to the questionnaire, more than 70% of respondents aged 10-19 have not heard of the brand TW. Given **the rising popularity of cafes among youngsters to study and relax**, this cafe can **attract young adults** as potential customers. Physical store also ensures more **efficient direct promotion and selling**, the **logo and setting** can **intrigue pedestrians** into trying a cafe. TW can thus expand into the **B2C market**.

Rationale 2 – Enhance awareness in the local community : TW originally relies on online promotion and platforms such as Tmall and HKTV mall but does little to physical promotion, **indirect and inefficient marketing tactics** lead to **low awareness** in customers of the brand. Installing a physical cafe in the community can **boost the local's awareness** of the TW and can **attract a wider diversity of customers**.

Initiative 2: Truckathon in Greater Bay Area

As mentioned in SWOT analysis, TW has great opportunities to explore in the Greater Bay Area. To expand its customer base **out of Hong Kong**, TW can conduct a **mobile truck promotion named Truckathon** in which food and beverage of experimental flavours are provided for the public for trial. Frozen food will also be sold. The truck will travel to **Shenzhen** and then to **Macau**.

Rationale 1 – Explore Greater Bay area market: Given the **fast pace of living** and

growing potential of the Greater Bay area, the novelty and convenience of mobile food truck can achieve TW's vision and attract more Greater Bay area customers.

Rationale 2 – Higher mobility and lower costs than restaurants: To achieve reaching B2C customers, mobile trucks provide a cheaper and more mobile alternative than restaurants. Renting and food costs are reduced as it's operated at a smaller scale. The truck can promote in many places, attracting many customers at different places.



Initiative 3: Mystery coffee and tea capsule packages in Chinese New Year Holiday

In 2022's Chinese New Year period, 7 newly designed festive-sell coffee and tea flavours will come in capsules and mystery packages. Each mystery package will contain 5 capsules of the same flavour. Customers can directly purchase through local supermarkets, malls and on TW's online platform as well.

Rationale 1 – Creates novelty and gambling psychology: To get the exact flavour they want, customers may keep purchasing mystery packages. This can incite more sales because of customers' gambling psychology. Unique flavours of coffee and tea can also pique customers' curiosity.

Rationale 2 – Caters to the fast-paced life of Hong Kongers: As Hong Kongers are known for having hectic lives, a quick and convenient form of coffee and tea would definitely allow them to save up some time while still being able to consume their daily cup of coffee or tea.

Initiative 4: Hosting Yuanyang (鴛鴦) making workshop in a local hotel

Collaborating with a local hotel of three stars rating or above, TW will invite tutors to hold workshops in the hotel for teaching guests how to make Yuanyang, a Hong-Kong style milk tea and coffee, in, using TW's own tea and milk. Participants get to learn the recipe of yuanyang and can take their product home.

Rationale 1 – Promote TW with Hong Kong’s food culture: Yuanyang is a unique beverage of HK, a mixture of three parts of coffee and seven parts of Hong Kong-style milk tea. As the workshop will be using TW’s milk tea powder, **TW’s products along with HK’s food culture** will be promoted to locals or tourists in the hotel.

Rationale 2 – Target tourists: Assuming loosened pandemic travelling restrictions in 2022, the workshop targets tourists and ‘staycation’ locals who spend their holidays in the hotel. Participants, especially tourists can learn about TW and **buy products from them as a souvenir**. Therefore, sales can be boosted.

Implementation plan

Implication	Research	Design	System testing	Decision making	Promotion
Color					
Implication	Contact	Production	Implementation	Evaluation	Improvements
Color					

Online measures

	For the year ended 31/12/2021				For the year ended 31/12/2022			
Campaigns	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Integration of Cherry and Leaf	Research on popular apps interfaces, cooking-serving apps and gamers habits	Design game functions	Start app production	System testing of the app	Implementation			
		Contact app producers and recruit app management team			Promotion of the app through social media, MTR advertisements or other online means	Evaluation	Improvements	Evaluation
Collaboration with KOLs	Research on popular KOLs	Contact KOLs and sign contracts	Invite KOLs to EXECs for shootings and interviews		Implementation			
	Decide which KOLs to collaborate with	Design promotion videos or other methods	Evaluation	Improvements				
			Promotion through online platforms					

Offline platforms

	For the year ended 31/12/2021				For the year ended 31/12/2022			
Campaigns	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

Installation of Hideout Cafe	Internal design and floor planning	Contact furniture and food suppliers	Start construction in site	Testing of machinery and furnitures	Implementation					
					Evaluation	Improvements	Evaluation	improvement		
Truckathon in Greater Bay Area	Research for prices and type, customer research	Decide Greater Bay Area Route	Design truck appearance and floorplan		Promotion in Shenzen and Macau	First route to Shenzhen		Second route to Macau		
		Contact truck supplier	Test safety of truck			Evaluation	Improvements	Evaluation	Decide whether to carry out the plan in other greater bay areas	
			Evaluation	Improvements						
Mystery coffee and tea capsule packages in Chinese New Year Holiday	Research customers flavour and experience of other companies	Design coffee capsule flavours	Production of coffee capsules	Evaluation	Production of coffee capsules	Promotion of coffee capsules		Evaluation	Decide whether to continue the plan next year	
		Contact coffee capsule making companies	Test safety and flavours of beans	Improvements	Test safety and flavours of beans	Launch coffee capsules in pop up stores and cafe				
			Contact milk supplier, yuanyang making teachers and hotel managers		Design workshop according to hotel floorplan	Improvements	Launch workshop			
Yuanyang making workshops in local hotel	Research on Yuanyang recipes and ingredients	Interview yuanyang teachers and check hotel floorplan	Promotion		Evaluation	Launch workshop		Decide whether the plan will continue next year		
			Set up workshop	Promotion						
		Set up workshop		Promotion						

Market Budget Plan

	Campaign	Details	Budget(\$'000)	% of Budget
Online measures	Integrate app system	Promotion cost	250	2.5%
		Research and development	600	6%
		Maintenance cost	250	2.5%
		Upgrade cost	400	4%
		Sub total	1,500	15%
	Collab with influencers	Salaries to influencers	175	1%
		Filming costs	75	0.75%
		Promotion cost	175	1.75%
		Sub total	500	2.5%

Offline measures	Hideout Cafe	Store-designing cost	600	6%
		Renting cost	1300	13%
		Promotion cost	700	7%
		Maintenance and installation cost	400	4%
		Sub-Total	3,000	30%
	Truckathon	Food expenses	600	6%
		Production costs	400	4%
		Packaging costs	300	3%
		Sub total	1,500	15%
	Mystery coffee and tea capsules package in CNY	Packaging cost	500	5%
		Food expense	1800	18%
		Sub total	2,300	23%
	Yuanyang workshop in local hotel	Promotion cost	200	2%
		Operating expense	200	2%
		Food expense	400	4%
		Sub-total	800	8%

Impacts on average revenue, profit for the year ended 31 December 2021 and 2022

Average sales revenue: Truckathon will raise **brand awareness** in Greater Bay Area, increasing TW's sales drastically. Hideout Cafe can also raise youngsters' interest in TW. The upgraded app can also help **raise the utilization rate** of TW's online store and promote the Hideout Café, further increasing TW's sales revenue in the long-run. Overall, TW's **brand reputation will be increased among potential customers**, which is expected to raise sales revenue by 4% (\$816,397,920) in 2021 and by 12% (\$879,197,760) in 2022.

Average profit for the year ended: New initiatives will increase TW's operating expenses and other finance costs tremendously, covered by the profit earned by the truck, cafe and other campaigns and in return increase the average profit due to the fact that the campaigns are cost efficient to increase customer base. It is expected to increase average profit by 3% in 2021 and by 10% in 2022.

iv. Conclusion

Overall, TW should expand its customer base through effective O2O promotion, increasing the variety of food it sells to diverse risks within the industry and promote its uniqueness. As seen from the financial analysis, TW ought to make better investment decisions to seek long term benefits. In light of this, 7 promotional campaigns are proposed. Key measures include establishing physical stores such as cafe, truck, partnership with KOLs and online tourist platforms, which can increase TW's O2O exposure and attract potential customer bases such as youngsters and tourists. Profit and long-term return can be maximized in the long run.

E. Appendice

I. References

2019 Annual Report of Tsit Wing International Holdings Limited

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Tsit Wing Facebook Page

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

HKTV Mall website

<https://www.hktvmall.com/>

Fuel Up By TWG

<https://www.hkicpa.org.hk/-/media/Document/MC/BAFS/2020-2021/TWGOperation.pdf>

II. Survey questionnaire and results

1. What is your age?
 - 10-19
 - 20-29
 - 30-39
 - 40-49
 - 50-60
 - Above 60
2. What is your gender?
 - Male
 - Female
 - Non-binary
 - Prefer not to say
3. How many times do you drink coffee per week?
 - Once per week
 - Twice per week
 - 3 to 5 times per week
 - 6 to 10 times per week
 - More than 10 times per week
 - I do not drink coffee
4. How many times do you drink tea per week?
 - Once per week
 - Twice per week
 - 3 to 5 times per week
 - 6 to 10 times per week
 - More than 10 times per week
 - I do not drink tea
5. Where do you usually get your coffee and tea from?
 - Restaurants
 - Cafes
 - Convenience stores/supermarkets
 - Online
 - Others:
6. What would be a preferable price range for you when buying a packet of packaged coffee?
 - Below \$50
 - \$50-\$75
 - \$76-\$100
 - Above \$100

7. Which physical shops do you purchase food from?

- Park N Shop
- HKTV Mall
- Wellcome
- Others:

8. Which brand of coffee/tea do you usually buy?

- Nescafe
- Lipton
- Tsit Wing
- Taikoo
- Tarza
- Others:

9. Do you usually shop physically or through online platforms?

- Physical shops
- Online shopping

10. What online shopping platform do you use?

- Tmall
- Amazon
- Carousell
- Taobao
- Ebay

11. Which is the most important factor to you when purchasing food and beverage products?

- Appearance
- Taste
- Price
- Reputation
- Ingredients
- Health benefits
- Celebrities endorsement
- Others:

12. What would be a factor for you to purchase products online?

- Easy and accessible
- E-assistant (online customer service)
- Discounts
- Speedy process
- Can pre-order
- Others:

13. Why do you prefer shopping offline?

14. Have you heard of the brand Tsit Wing?

- Yes
- No

15. How did you know about Tsit Wing?

- Coffee packaging
- Advertisements from mass media
- Family/Friends/Teachers' recommendations
- I do not know about Tsit Wing
- Others:

16. Have you purchased any products from Tsit Wing before?

- Yes
- No

17. Do you know the following online shopping platforms of Tsit Wing?

- "Cherry & Leaf" E-shop for specialty coffee and tea
- TWG Premium Meat Shop
- Tsit Wing Flagship Store in TMALL
- I do not know any of them

18. Comment on the attractiveness of this product **x (ADD PICTURES)**

- Least attractive 1 2 3 4 5 Most attractive

19. Comment on the attractiveness of this product

- Least attractive 1 2 3 4 5 Most attractive

20. Why do you choose not to buy from Tsit Wing?

- Never heard of it
- Not popular
- Not tasty
- Unable to find products
- Too expensive
- Others:

21. What products of Tsit Wing have you purchased before? (You can choose more than one)

- Coffee
- Tea
- Milk
- Precooked food
- Sugar
- Premium/Frozen meat
- Coffee machine products
- Plant-based meat
- I have not purchased any products from Tsit Wing before.

22. What products would you be interested in?

- Coffee
- Tea
- Milk
- Precooked food
- Sugar
- Premium/Frozen meat
- Coffee machine products
- Plant-based meat
- I am not interested
- Others:

23. Are you aware that Tsit Wing sells frozen food as well as the items mentioned above?

- Yes
- No

24. Do you know of Tsit Wing's app Cherry and Leaf?

- Yes
- No

25. If yes, do you have any comments and suggestions for the app?

26. What improvements can be made by Tsit Wing to increase its publicity?

27. What do you suggest for the operation of the app to be improved? (In terms of layout, function etc)

28. What features on an online shopping app appeals to you the most?

- Fancy graphics of logo
- Regular updates of activities, discounts etc
- Easy interface
- Large variety of product categories
- Others:

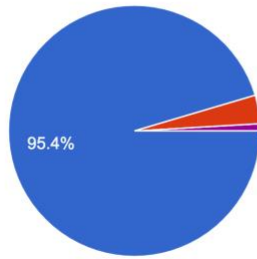
29. What factors contribute to your decision of downloading an app?

- Functions
- Eye-catching logo
- Discounts
- Storage size
- Others:

Thank you for your precious time! Have a great day :)

What is your age?

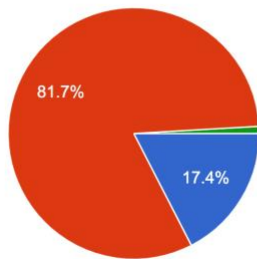
109 responses



- 10-19
- 20-29
- 30-39
- 40-49
- 50-60
- Above 60

What is your gender?

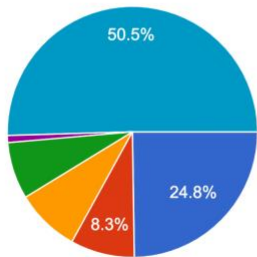
109 responses



- Male
- Female
- Non-binary
- Prefer not to say

How many times do you drink coffee per week?

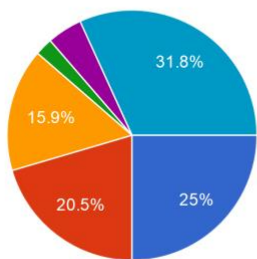
109 responses



- Once per week
- Twice per week
- 3 to 5 times per week
- 6 to 10 times per week
- More than 10 times per week
- I do not drink coffee.

How many times do you drink tea per week?

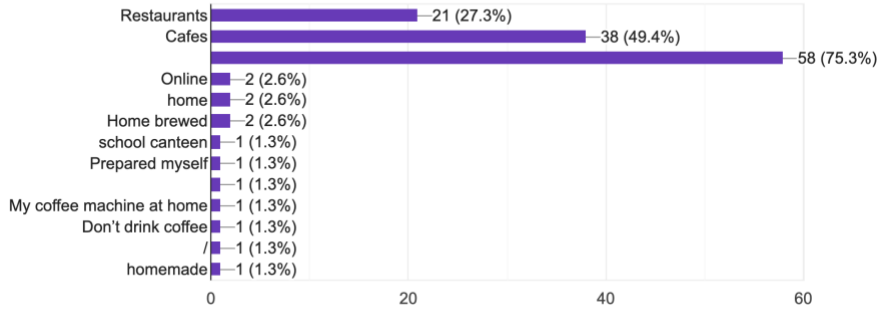
44 responses



- Once per week
- Twice per week
- 3 to 5 times per week
- 6 to 10 times per week
- More than 10 times per week
- I do not drink tea

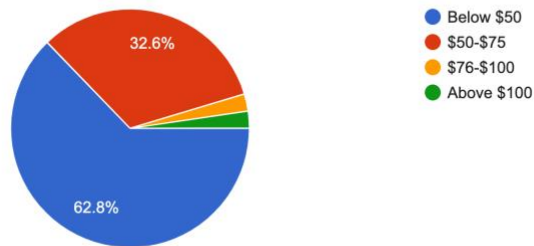
Where do you usually get your coffee and tea from?

77 responses



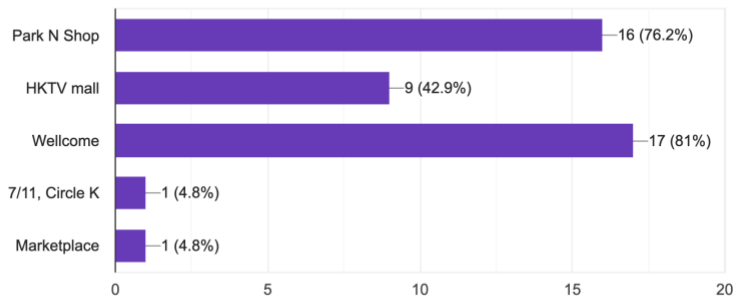
What would be a preferable price range for you when buying a packet of packaged coffee?

43 responses



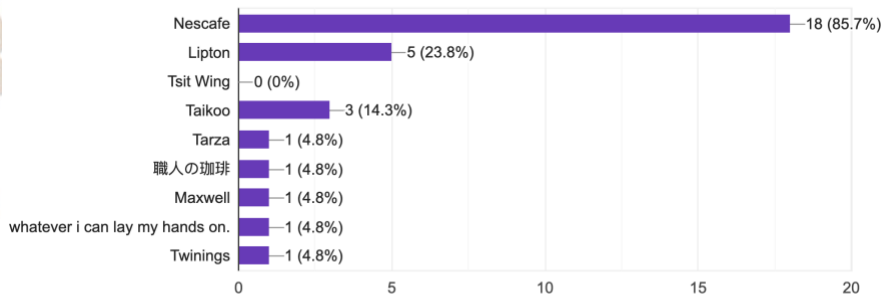
Which physical shops do you purchase food from

21 responses



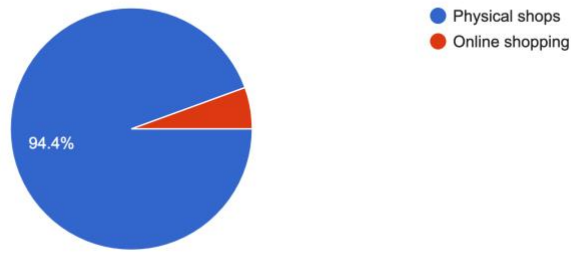
Which brand of coffee/tea do you usually buy?

21 responses



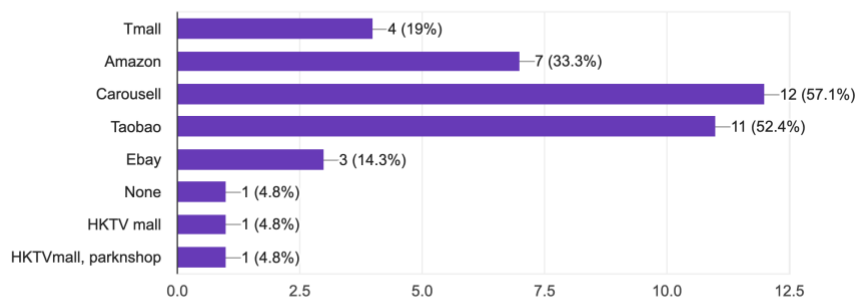
Do you usually shop physically or through online platforms?

54 responses



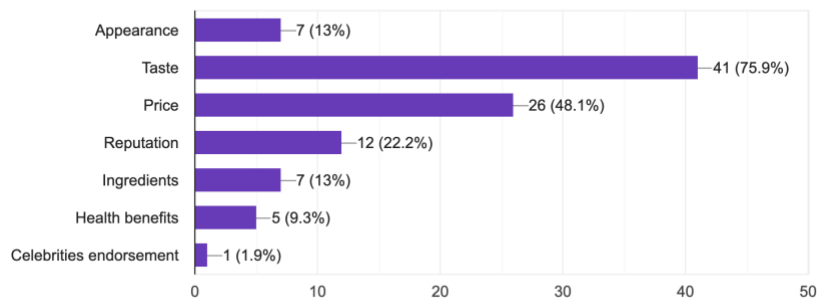
What online shopping platform do you use?

21 responses



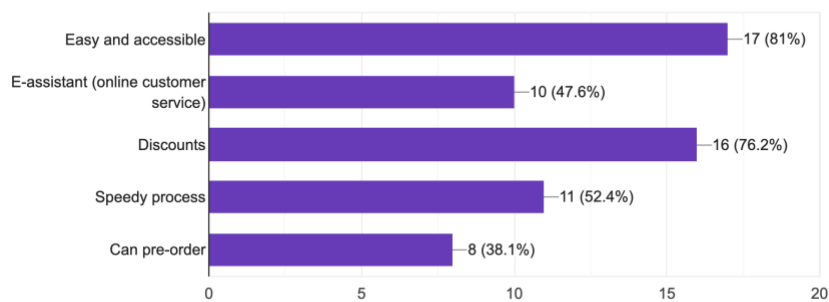
Which is the most important factor to you when purchasing food and beverage products?

54 responses



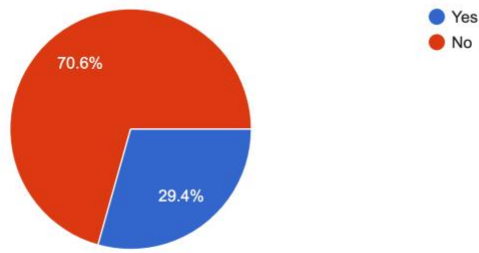
What would be a factor for you to purchase products online?

21 responses



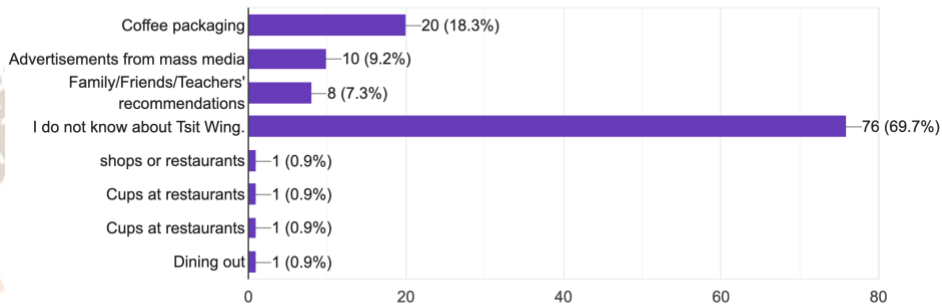
Have you heard of the brand Tsit Wing?

109 responses



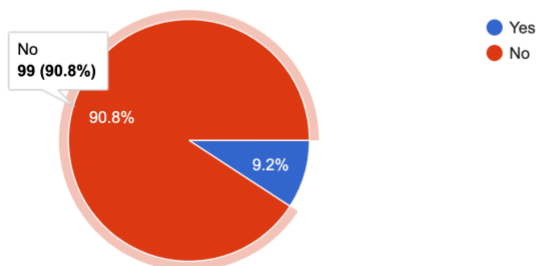
How did you know about Tsit Wing?

109 responses



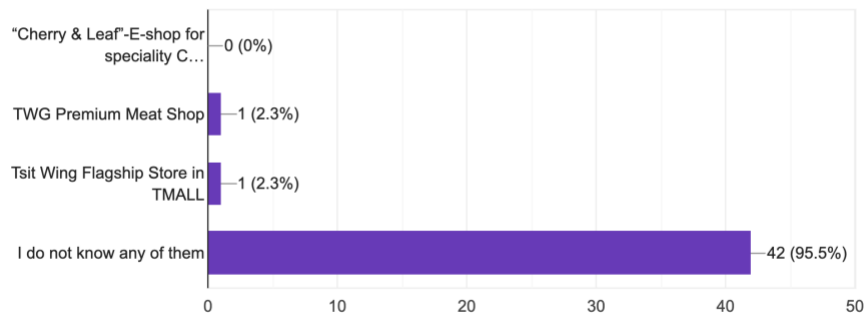
Have you purchased any products from Tsit Wing before?

109 responses



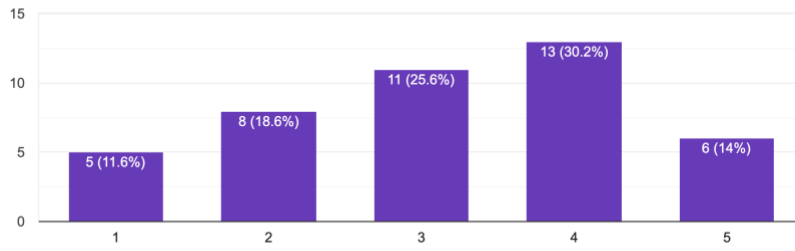
Do you know the following online shopping platforms of Tsit Wing?

44 responses



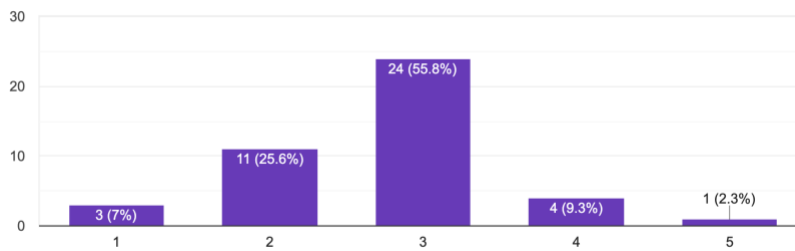
Comment on the attractiveness of this product

43 responses



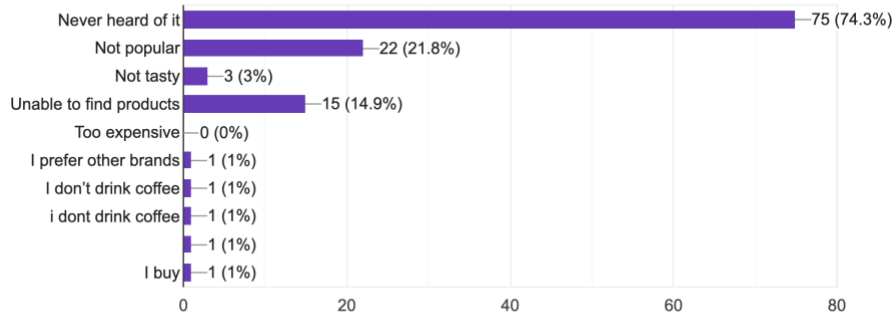
Comment on the attractiveness of this product

43 responses



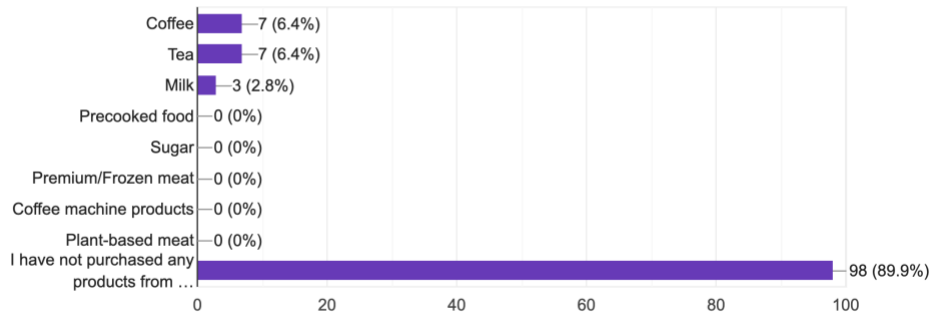
Why do you choose not to buy from Tsit Wing?

101 responses



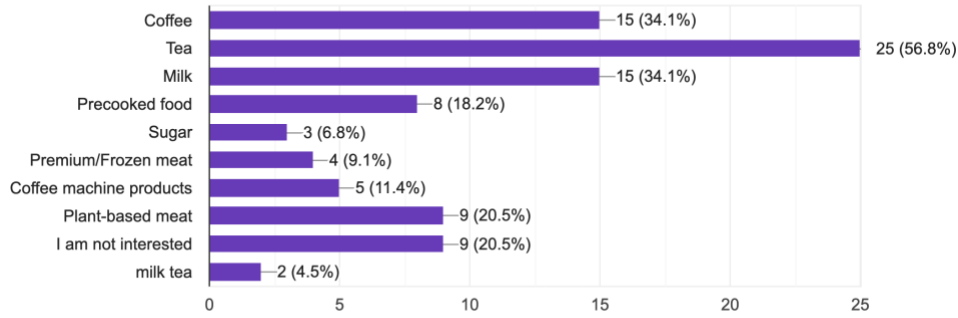
What products of Tsit Wing have you purchased before? (You can choose more than one)

109 responses



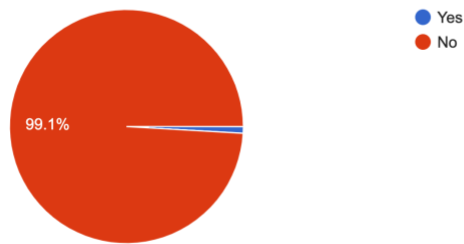
What products would you be interested in?

44 responses



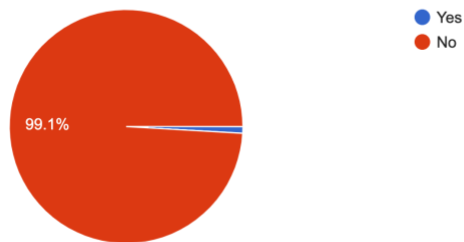
Are you aware that Tsit Wing sells frozen food as well as the items mentioned above?

109 responses



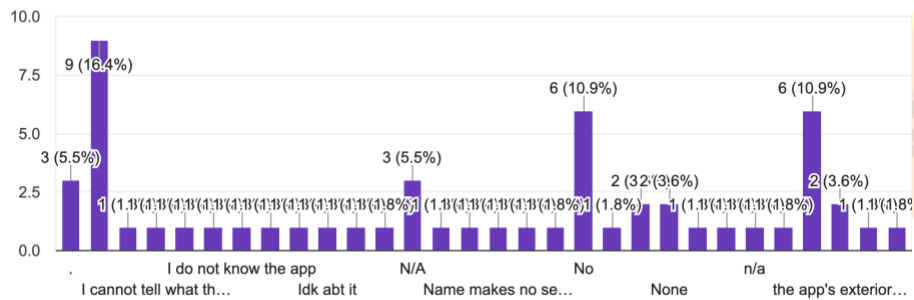
Do you know of Tsit Wing's app Cherry and Leaf?

109 responses



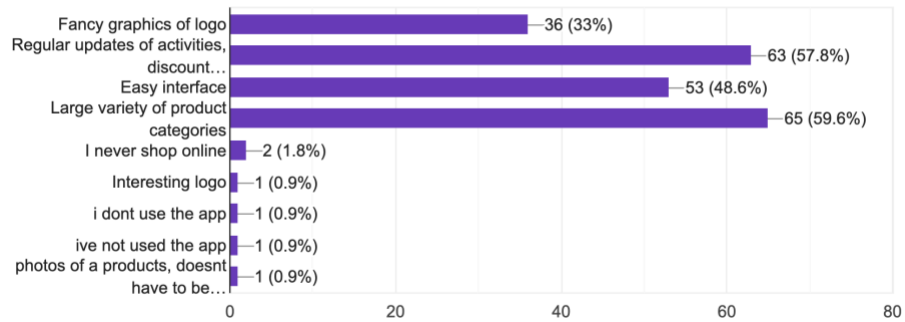
If yes, do you have any comments and suggestions for the app?

55 responses



What features on an online shopping app appeals to you the most?

109 responses



What factors contribute to your decision of downloading an app?

109 responses

