

# **Winning Tower Group Holdings Limited**

**運興泰集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8362)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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The board of directors (the “**Board**”) of Winning Tower Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022, together with the comparative results for the previous year:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	4	<b>93,299</b>	86,006
Cost of inventories consumed		<b>(49,461)</b>	(46,255)
Other income		<b>3,761</b>	1,347
Employee benefit expenses		<b>(26,144)</b>	(24,345)
Depreciation		<b>(11,226)</b>	(12,667)
Transportation and storage fee		<b>(1,872)</b>	(2,314)
Utilities and consumables		<b>(5,080)</b>	(4,535)
Rental and related expenses		<b>(1,299)</b>	(1,671)
Impairment of property, plant and equipment		<b>(2,542)</b>	(4,336)
Impairment of right-of-use assets		<b>(3,308)</b>	(6,049)
Other operating expenses, net		<b>(10,534)</b>	(10,760)
<b>LOSS BEFORE TAX FROM OPERATIONS</b>		<b>(14,406)</b>	(25,579)
Finance costs		<b>(553)</b>	(542)
<b>LOSS BEFORE TAX</b>	5	<b>(14,959)</b>	(26,121)
Income tax credit/(expense)	6	<b>1,396</b>	(7)
<b>LOSS FOR THE YEAR</b>		<b>(13,563)</b>	(26,128)
Attributable to:			
Owners of the Company		<b>(9,580)</b>	(23,133)
Non-controlling interests		<b>(3,983)</b>	(2,995)
		<b>(13,563)</b>	(26,128)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
– Basic and diluted ( <i>expressed in HK cents per share</i> )	8	<b>(0.68)</b>	(1.65)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(13,563)</u>	<u>(26,128)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Revaluation surplus/(deficit), net	(2,308)	9,141
Deferred tax credited/(debited) to asset revaluation reserve	<u>381</u>	<u>(1,508)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(1,927)</u>	<u>7,633</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(15,490)</u></u>	<u><u>(18,495)</u></u>
Attributable to:		
Owners of the Company	(11,507)	(15,500)
Non-controlling interests	<u>(3,983)</u>	<u>(2,995)</u>
	<u><u>(15,490)</u></u>	<u><u>(18,495)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>28,354</b>	29,147
Right-of-use assets		<b>64,192</b>	81,031
Goodwill		<b>–</b>	–
Prepayments, deposits and other receivables		<b>2,107</b>	2,491
Deferred tax assets		<b>2,328</b>	983
		<hr/>	<hr/>
Total non-current assets		<b>96,981</b>	113,652
<b>CURRENT ASSETS</b>			
Inventories		<b>4,302</b>	2,994
Trade receivables	9	<b>11,810</b>	10,205
Prepayments, deposits and other receivables		<b>3,351</b>	3,836
Due from a related party		<b>38</b>	8
Tax recoverable		<b>61</b>	33
Cash and cash equivalents		<b>15,601</b>	23,115
		<hr/>	<hr/>
Total current assets		<b>35,163</b>	40,191
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>3,619</b>	4,081
Other payables and accruals		<b>10,311</b>	9,222
Interest-bearing bank borrowing	11	<b>347</b>	347
Lease liabilities		<b>6,330</b>	6,068
		<hr/>	<hr/>
Total current liabilities		<b>20,607</b>	19,718
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		<b>14,556</b>	20,473
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/>	<hr/>
		<b>111,537</b>	134,125

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowing	11	<b>2,553</b>	2,899
Other payables and accruals		<b>1,180</b>	1,180
Lease liabilities		<b>11,587</b>	17,917
Deferred tax liabilities		<b>6,341</b>	6,763
		<hr/>	<hr/>
Total non-current liabilities		<b>21,661</b>	28,759
		<hr/>	<hr/>
Net assets		<b>89,876</b>	105,366
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>14,000</b>	14,000
Reserves		<b>81,345</b>	92,852
		<hr/>	<hr/>
		<b>95,345</b>	106,852
Non-controlling interests		<b>(5,469)</b>	(1,486)
		<hr/>	<hr/>
Total equity		<b>89,876</b>	105,366
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

## 1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Flat 3, 8/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in the processing and trading of raw, frozen and cooked food products (which includes the provision of transportation services) and the operation of restaurants. In the opinion of the Company's directors, the ultimate holding company of the Company is Keyview Ventures Limited ("**Keyview Ventures**"), a company incorporated in the British Virgin Islands with limited liability.

## 2.1 BASIS OF PREPARATION

These 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 ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and owned buildings held for the Group's own use classified as right-of-use assets and property, plant and equipment, respectively, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK\$**") and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combination during the year, the amendments did not have any impact on the financial performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

### 3. SEGMENT INFORMATION

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

- (a) processing and trading of food products (which includes the transportation services); and
- (b) restaurant operation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income and non-lease-related finance costs are excluded from such measurement.

Segment assets exclude cash and cash equivalents as these assets are managed on group basis.

Segment liabilities exclude interest-bearing bank borrowing as the liability is managed on group basis.

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

(a) **Operating segment information**

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2022 and 2021.

**Segment revenue**

	Processing and trading of food products (which includes the transportation services)		Restaurant operation		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (note 4)						
Sales to external customers	67,242	59,372	26,057	26,634	93,299	86,006
Intersegment sales	2,561	2,634	-	-	2,561	2,634
	<u>69,803</u>	<u>62,006</u>	<u>26,057</u>	<u>26,634</u>	<u>95,860</u>	<u>88,640</u>
<b>Reconciliation:</b>						
Elimination of intersegment sales					(2,561)	(2,634)
Revenue					<u>93,299</u>	<u>86,006</u>
Segment results	(9,151)	(21,822)	(5,853)	(4,294)	(15,004)	(26,116)
Interest income					116	72
Finance costs (other than interest on leases liabilities)					(71)	(77)
Loss before tax					(14,959)	(26,121)
Income tax credit/(expense)					1,396	(7)
Loss for the year					<u>(13,563)</u>	<u>(26,128)</u>



**Segment assets/liabilities**

	Processing and trading of food products (which includes the transportation service)		Restaurant operation		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment assets	113,518	116,172	11,970	22,795	125,488	138,967
<b>Reconciliation:</b>						
Elimination of intersegment receivables					(8,945)	(8,239)
Corporate and other unallocated assets					15,601	23,115
Total assets					<u>132,144</u>	<u>153,843</u>
Segment liabilities	18,293	21,406	30,020	32,064	48,313	53,470
<b>Reconciliation:</b>						
Elimination of intersegment payables					(8,945)	(8,239)
Corporate and other unallocated liabilities					2,900	3,246
Total liabilities					<u>42,268</u>	<u>48,477</u>
<b>Other segment information:</b>						
Depreciation of items of property, plant and equipment	1,450	3,447	3,026	2,224	4,476	5,671
Depreciation of right-of-use assets	3,655	4,225	3,095	2,771	6,750	6,996
Impairment of property, plant and equipment	25	3,110	2,517	1,226	2,542	4,336
Impairment of right-of-use assets	189	2,914	3,119	3,135	3,308	6,049
Reversal of impairment of trade receivables	(250)	(117)	-	-	(250)	(117)
Reversal of provision for inventories	-	(91)	-	-	-	(91)
Write-off of items of property, plant and equipment	-	11	-	-	-	11
Gain on disposal of items of property, plant and equipment	(630)	-	-	-	(630)	-
Additions of property, plant and equipment	1,752	241	-	2,497	1,752	2,738
Additions of right-of-use assets	-	-	-	12,239	-	12,239

(b) **Geographical information**

Since all of the Group's revenue from external customers is generated from businesses conducted in Hong Kong and all of the Group's non-current assets are located in Hong Kong, no further analysis on the geographical information thereof is presented.

(c) **Information about major customers**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Processing and trading of food products segment (which includes the transportation services)		
Customer A	<u>17,212</u>	<u>N/A*</u>

\* Less than 10% of the Group's revenue.

**4. REVENUE**

An analysis of revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers	<u>93,299</u>	<u>86,006</u>

**Revenue from contracts with customers**

(a) *Disaggregated revenue information*

Segments	Processing and trading of food products (which includes the transportation service)		Restaurant operation		Total	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Types of goods or services</b>						
Sales of food products	66,908	56,460	-	-	66,908	56,460
Income from the provision of transportation services	334	2,912	-	-	334	2,912
Income from the operation of restaurants	<u>-</u>	<u>-</u>	<u>26,057</u>	<u>26,634</u>	<u>26,057</u>	<u>26,634</u>
Total revenue from contracts with customers	<u>67,242</u>	<u>59,372</u>	<u>26,057</u>	<u>26,634</u>	<u>93,299</u>	<u>86,006</u>
<b>Timing of revenue recognition</b>						
Goods transferred at a point in time	66,908	56,460	26,057	26,634	92,965	83,094
Services transferred over time	<u>334</u>	<u>2,912</u>	<u>-</u>	<u>-</u>	<u>334</u>	<u>2,912</u>
Total revenue from contracts with customers	<u>67,242</u>	<u>59,372</u>	<u>26,057</u>	<u>26,634</u>	<u>93,299</u>	<u>86,006</u>

**(b) Performance obligations**

Information about the Group's performance obligations is summarised below:

*Sale of food products*

The Group sells goods to wholesalers and individual retailers. The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 45 days from delivery. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

*Restaurant operation*

The performance obligation for restaurant operation is satisfied upon (i) completion of the services; or (ii) delivery of the food. Payment is generally due immediately or within 30 days from delivery.

*Provision of transportation services*

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 45 days from the date of billing.

## 5. LOSS BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories consumed	49,461	46,346
Reversal of provision for inventories	–	(91)
<b>Total cost of inventories consumed</b>	<b>49,461</b>	<b>46,255</b>
Depreciation of property, plant and equipment	4,476	5,671
Depreciation of right-of-use assets	6,750	6,996
<b>Total depreciation</b>	<b>11,226</b>	<b>12,667</b>
Lease payments not included in the measurement of lease liabilities	–	556
Other related expenses	1,325	1,160
Covid-19-related rent concessions from lessors	(26)	(45)
<b>Total rental and related expenses</b>	<b>1,299</b>	<b>1,671</b>
Directors' remuneration	4,500	4,500
Employee benefit expenses (excluding directors' remuneration):		
Salaries, wages and other benefits	20,721	19,018
Pension scheme contributions (defined contribution scheme)*	923	827
<b>Total employee benefit expenses</b>	<b>26,144</b>	<b>24,345</b>
Auditor's remuneration <sup>#</sup>	1,260	1,200
Professional fee <sup>#</sup>	1,192	1,216
Insurance <sup>#</sup>	929	1,132
Repairing and maintenance <sup>#</sup>	1,574	1,085
Cleaning <sup>#</sup>	1,156	1,080
Reversal of impairment of trade receivables <sup>#</sup>	(250)	(117)
Impairment of property, plant and equipment	2,542	4,336
Impairment of right-of-use assets	3,308	6,049
Write-off of items of property, plant and equipment <sup>#</sup>	–	11
Gain on disposal of items of property, plant and equipment	(630)	–

<sup>#</sup> These balances are included in "Other operating expenses, net" in the consolidated statement of profit or loss.

\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	–	62
Overprovision in prior years	(10)	(10)
Deferred	(1,386)	(45)
	<u>                    </u>	<u>                    </u>
Total tax charge/(credit) for the year	<u>(1,396)</u>	<u>7</u>

## 7. DIVIDEND

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## 8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share attributable to owners of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to owners of the Company used in the basic loss per share calculation	<u>(9,580)</u>	<u>(23,133)</u>
	<u>                    </u>	<u>                    </u>
	<b>Number of shares</b>	
	2022	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation ('000)	<u>1,400,000</u>	<u>1,400,000</u>
	<u>                    </u>	<u>                    </u>
<b>Loss per share</b>		
Basic ( <i>HK cents</i> )	<u>(0.68)</u>	<u>(1.65)</u>

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years.

## 9. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from:		
Third party customers	11,934	9,615
Related companies	360	1,324
	<u>12,294</u>	<u>10,939</u>
Impairment	(484)	(734)
	<u><u>11,810</u></u>	<u><u>10,205</u></u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	6,188	5,855
1 to 2 months	2,291	2,335
2 to 3 months	642	841
Over 3 months	2,689	1,174
	<u><u>11,810</u></u>	<u><u>10,205</u></u>

## 10. TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables to:		
Third party suppliers	3,475	3,957
Related company		
– Guangzhou Ge Yun	144	124
	<u>3,619</u>	<u>4,081</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	3,619	4,078
1 to 2 months	–	3
	<u><u>3,619</u></u>	<u><u>4,081</u></u>

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

## 11. INTEREST-BEARING BANK BORROWING

	2022			2021		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank loan – secured	<b>3.00 below prime rate</b>	<b>2023</b>	<b>347</b>	3.00 below prime rate	2022	347
			<u>347</u>			<u>347</u>
<b>Non-current</b>						
Bank loan – secured	<b>3.00 below prime rate</b>	<b>2024–2030</b>	<b>2,553</b>	3.00 below prime rate	2023–2030	2,899
			<u>2,900</u>			<u>3,246</u>
				<b>2022</b>	<b>2021</b>	
				<b>HK\$'000</b>	<b>HK\$'000</b>	
Analysed into:						
Bank loan:						
Within one year or on demand				<b>347</b>		347
In the second year				<b>357</b>		355
In the third to fifth years, inclusive				<b>1,136</b>		1,113
Beyond five years				<b>1,060</b>		1,431
				<u><b>2,900</b></u>		<u>3,246</u>

The Group's bank loan is denominated in Hong Kong dollars and is secured by the mortgages over the Group's leasehold land and owned buildings, which had an aggregate carrying value of HK\$59,800,000 (2021: HK\$64,300,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Winning Tower Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is principally engaged in processing and trading of raw, frozen and cooked food products (which includes provision of transportation services) and the operation of restaurants in Hong Kong.

On 30 June 2017 (the “**Listing Date**”), the Company was successfully listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 350,000,000 shares (or 25% of the total issued shares) were allotted and sold to the public at HK\$0.2 per share and a total of approximately HK\$39.9 million was successfully raised.

On 24 May 2019, Winning Tower Group Limited (“**Winning Tower Group**”), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement with Wing Si pursuant to which Winning Tower Group is interested as to 55% and Wing Si is interested as to 45% of the joint venture Winning Wings Limited (“**Winning Wings**”), which is the vehicle for their participation in catering and food business in Hong Kong. For details, please refer to the announcement of the Company dated 24 May 2019.

On 2 June 2021 (after trading hours), a joint venture agreement (the “**Joint Venture Agreement**”) was entered into between Winning Tower Group, Skyye Limited (“**Skyye**”) and Dynasty Time Limited (the “**Joint Venture**”), pursuant to which, among others: (i) the Joint Venture shall act as a corporate vehicle for the joint participation of Winning Tower Group and Skyye in the catering and food business in Hong Kong. The Joint Venture was incorporated in Hong Kong with limited liability on 1 April 2021 and is currently owned as to 60% by Winning Tower Group and as to 40% by Skyye, respectively; and (ii) Winning Tower Group and Skyye conditionally agreed to provide an initial funding to the Joint Venture by way of loan at HK\$3,000,000 for the purpose of setting up the first Joint Venture’s restaurant in Hong Kong, while the respective amount contributed by each of Winning Tower Group and Skyye shall be in proportion to their respective shareholdings in the Joint Venture at HK\$1,800,000 and HK\$1,200,000, respectively. On 10 May 2021, the Joint Venture entered into a tenancy agreement (the “**Tenancy Agreement**”) as tenant in respect of the lease of a premises for a term of three years commencing on 15 May 2021 and expiring on 14 May 2024 (both days inclusive) for the operation of the first Joint Venture’s restaurant in Hong Kong under the Joint Venture Agreement.



Given that the fifth wave of the COVID-19 pandemic was gradually easing in Hong Kong, the Directors considered that the catering and food industry in Hong Kong will also gradually recover and grow steadily. In making such investment in the Joint Venture, the Company intends to capitalise on the growth in the catering and food industry in Hong Kong. Furthermore, pursuant to the Joint Venture Agreement, the Group will be the main supplier of all food and beverage ingredients for all the restaurant(s) of the Joint Venture. Being the main supplier to the Joint Venture, our Directors consider that the future sales and revenue of the Group will be strengthened. The Directors are of the view that the entering into of the Tenancy Agreement and the terms and conditions thereof are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

More details regarding the transactions mentioned above can be found in the announcement of the Company dated 2 June 2021.

The Group will continue to develop by maintaining its customer base while exploring any new business opportunities and expanding its business capacity by increasing its refrigeration capacity.

## USE OF PROCEEDS

From the Listing Date to 31 December 2022 (the “**Review Period**”), the net proceeds raised from listing as disclosed in the prospectus of the Company dated 19 June 2017 (the “**Prospectus**”) have been applied as follows:

	<b>Planned use of proceeds as stated in the Prospectus <i>HK\$ million</i></b>	<b>Actual use of proceeds up to the Review Period <i>HK\$ million</i></b>
Acquisition of new factory premises	22.0	22.0
Renovation of new premises as refrigeration facility	8.8	8.8
Strengthening Group’s logistics team	2.4	2.4
Setting up human resources department	0.9	0.9
Upgrade of internal management system	0.7	0.7
Working capital and other corporate development	5.1	5.1
	<u>39.9</u>	<u>39.9</u>

## COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is the comparison of the business objectives as stated in the Prospectus and the actual objectives achieved during the Review Period:

	<b>Planned business objective</b>	<b>Actual business progress</b>
To continue to maintain the relations of the existing customers	To offer more tailor-made products and services To broaden our customer base into more restaurants and hotels	Commenced research and development discussion on new products with potential and existing customers
To expand processing capacity	To acquire a new factory premises and renovate it as a refrigeration facility	Acquired two premises and renovation completed
To maintain logistics capacity	To maintain logistics capacity during the pandemic	Redesigned logistics routes and arrangements to maintain logistics capacity during the pandemic
To enhance internal support	To hire two new staff and set up and oversee human resources department	An administrative assistant was hired to handle human resource and administration works

## RESULTS AND FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2022, the Group recorded approximately HK\$93.3 million revenue as compared with last year's corresponding period of approximately HK\$86.0 million, representing an increase of approximately 8.5%. Of which, approximately HK\$67.2 million was contributed from processing and trading of food products (which includes provision of transportation services) (2021: HK\$59.4 million) and approximately HK\$26.1 million was from restaurant operation (2021: HK\$26.6 million). The increase was mainly due to the exploration of new business in trading and processing of raw and frozen food products.

### **Cost of inventories consumed and loss before tax**

For the year ended 31 December 2022, the Group's total cost of inventories consumed amounted to approximately HK\$49.5 million, (2021: HK\$46.3 million), of which, approximately HK\$43.7 million was from processed food business (2021: HK\$40.5 million) and the remaining approximately HK\$5.8 million was from restaurant business (2021: HK\$5.8 million). Loss before tax from operations was approximately HK\$14.4 million, while that in last year's corresponding period was approximately HK\$25.6 million. The increase in cost of inventories consumed was in line with the increase in revenue.

### **Employee benefit expenses**

For the year ended 31 December 2022, the Group's employee benefit expenses increased to approximately HK\$26.1 million from last year's corresponding period's approximately HK\$24.3 million which was due to increase in headcounts.

### **Income tax credit/(expense)**

For the year ended 31 December 2022, the Group's income tax credit was approximately HK\$1.4 million while last year's income tax expense was HK\$7,000. The change in income tax credit/(expense) was the recognition of deferred tax assets.

### **Loss for the year**

Based on the above reasons, for the year ended 31 December 2022, the Group recorded a net loss for the year of approximately HK\$13.6 million versus approximately HK\$26.1 million of last year's corresponding period.

## **FINANCIAL KEY PERFORMANCE**

The above financial data were chosen to present in this announcement as they represent a material financial impact on the financial statements of the Group for the current and/or the previous financial year, with that a change of which could affect the revenue and profit conspicuously. It is believed that by presenting the changes of these financial data can effectively explain the financial performance of the Group for the year ended 31 December 2022.

### **Liquidity and financial resources**

As at 31 December 2022, the Group had net current assets of approximately HK\$14.6 million (2021: HK\$20.5 million), of which cash at bank consisted of approximately HK\$15.6 million (2021: approximately HK\$23.1 million). The Group had a bank borrowing amounted to approximately HK\$2.9 million (2021: approximately HK\$3.2 million).

## **Gearing ratio**

As at 31 December 2022, the Group's gearing ratio was approximately 3.0% (2021: 3.0%), which is calculated based on the Group's bank loan of approximately HK\$2.9 million (2021: HK\$3.2 million) and the equity attributable to owners of the Company of approximately HK\$95.3 million (2021: HK\$106.9 million).

## **Capital structure**

As at 31 December 2022, the Company had 1,400,000,000 issued shares at HK\$0.01 each. There has been no change in the Company's capital structure during the financial year under review.

## **Treasury policy**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintains sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group.

## **Charge of assets**

As at 31 December 2022, the Group's leasehold land and owned buildings held for own use with a net carrying amount of approximately HK\$59.8 million (2021: HK\$64.3 million) have been pledged to secure banking facilities granted to the Group.

## **Currency risk**

As at 31 December 2022, the Group did not have material currency risk exposures as most of the Group's transactions carried out are denominated in Hong Kong dollars and US dollars which either Hong Kong dollars are pegged with or has been maintaining a stable currency rate for a long time.

## **Capital commitments**

As at 31 December 2022, the Group did not have any material capital commitments (2021: Nil).

## **Contingent liabilities**

As at 31 December 2022, the Group did not have any material contingent liabilities (2021: Nil).

## **Event after report date**

There were no significant events occurring after the year ended 31 December 2022.

## **Material acquisitions and disposals of subsidiaries and affiliated companies**

As at 31 December 2022, the Group did not have material acquisitions and disposals of subsidiaries and affiliated companies.

## **Major and connected transactions**

On 2 July 2019, Winning Tower Group, an indirect wholly-owned subsidiary of the Company, entered into property disposal agreements (the “**Property Disposal Agreements**”) with Iao Ip Property Investment Limited (“**Iao Ip Property**”), pursuant to which Iao Ip Property had conditionally agreed to acquire and Winning Tower Group had conditionally agreed to sell two properties, namely, units 803 and 808, 8/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong (the “**Properties**”) while the consideration about the sale and purchase of the Properties at the aggregated consideration of HK\$45,516,400. Of which, the consideration of units 803 and 808 was HK\$27,645,000 and HK\$17,871,400 respectively. Pursuant to the Property Disposal Agreements, Iao Ip Property and Winning Tower Group shall enter into the respective leasing agreements (the “**Leasing Agreements**”) where Iao Ip Property as landlord should lease to Winning Tower Group as tenant the Properties for a term of three years commencing from the date which all the conditions precedents were fulfilled according to the Property Disposal Agreements. According to the Leasing Agreements, the rent for units 803 and 808 was HK\$87,300 and HK\$56,436 per month respectively, totaling HK\$143,736 per month, inclusive of property tax, management fee, government rent and rates but exclusive of water, gas and electricity charges.

Iao Ip Property was owned as to 20% by Mr. Yu Ting Hei, a non-executive Director (“**Mr. Yu**”) and as to 80% in aggregate by three associates of Mr. Yu. Mr. Yu is a non-executive Director and one of the controlling shareholders of the Company. As such, Iao Ip Property is an associate of Mr. Yu and hence a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules. Accordingly, the disposal of the Properties also constituted a connected transaction of the Company, and was subject to announcement, reporting, circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

As a result, an extraordinary general meeting was convened and held on 9 September 2019 (the “**EGM**”) at which Keyview Ventures Limited, the Company’s controlling shareholder, was required to abstain from voting. At the EGM, the resolution was passed by the independent shareholder and the transactions were completed on 30 September 2019.

The proceeds arisen from the disposal of the Properties were approximately HK\$45.5 million which were intended to repay certain bank borrowings. As at 31 December 2022, approximately HK\$22.7 million had been used to repay certain bank borrowings, approximately HK\$18.9 million had been applied for settlement of import purchases with deposit requirement and approximately HK\$3.9 million had been used for the expansion of business under the joint venture.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the year ended 31 December 2022, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

## **AUDIT COMMITTEE**

The Company has established an audit committee on 5 June 2017 with written terms of reference in compliance with the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Lo Sun Tong (chairperson), Mr. Chau Chun Wai and Mr. Lam Lai Kiu Kelvin.

The primary duties of the audit committee are (but without limitation) to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The audit committee has reviewed this announcement and was in the opinion that such report has complied with the applicable accounting standards and adequate disclosures have been made.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

The Board recognizes the value and importance of achieving high corporate governance standards and is committed to upholding good corporate standards and procedures for the best interest of the Company's shareholders. The Company was listed on 30 June 2017. To the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code throughout the year ended 31 December 2022.

## **COMPANY SECRETARY**

The Board had appointed Mr. Tsang Hing Bun (“**Mr. Tsang**”) as the company secretary (the “**Company Secretary**”) and an authorized representative of the Company on 5 June 2017. From 1 August 2018, Mr. Tsang ceased to be an employee of the Company as required under code provision F.1.1 of the CG Code, the Company has assigned Mr. Lai Ho Yin Eldon, the executive Director, as the contact person with Mr. Tsang. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Tsang through the contact person assigned. Hence, all Directors are still considered to have access to the advice and services of the Company Secretary in light of the above arrangement in accordance with code provision F.1.4 of the CG Code. Having in place a mechanism that Mr. Tsang will be informed of the Group’s development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Tsang as the Company Secretary is beneficial to the Group’s compliance with the relevant board procedures, applicable laws, rules and regulations. For the reporting period, Mr. Tsang has duly complied with the relevant professional training requirement under Rule 5.15 of the Listing Rules.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Pursuant to the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. To ensure a balance of power and authority, the Company fully supports the division of responsibility between the chairman and the chief executive officer. The roles of the chairman and the chief executive officer are segregated and performed by Mr. Lai King Wah and Mr. Lai Ho Yin Eldon respectively.

## **COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period from the day of listing to 31 December 2022.

## REVIEW OF ANNUAL RESULTS

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 2022 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

By order of the Board  
**Winning Tower Group Holdings Limited**  
**Lai King Wah**  
*Chairman and Executive Director*

Hong Kong, 20 March 2023

*As at the date of this announcement, the executive directors are Mr. Lai King Wah, Mr. Lai Ho Yin Eldon and Mr. Ho Timothy Kin Wah; the non-executive directors are Mr. Yu Ting Hei, Mr. Wong Wang Leong and Ms. Ou Honglian; and the independent non-executive directors are Mr. Chau Chun Wai, Mr. Lo Sun Tong and Mr. Lam Lai Kiu Kelvin.*

*This announcement will remain on the "Latest Company Announcements" page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the date of its publication and on the website of the Company at [www.wtgl.hk](http://www.wtgl.hk).*