

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

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This announcement, for which the directors (the “Directors”) of Winning Tower Group Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading and all opinions expressed in the report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of the Company presents the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2022, together with the unaudited comparative figures for the corresponding periods in 2021, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three and six months ended 30 June 2022

		Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2022	2021	2022	2021
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	5	28,544	19,357	56,101	37,905
Cost of inventories consumed		(18,905)	(10,464)	(36,862)	(20,746)
Other income		2,107	446	2,909	1,069
Employee benefit expenses		(6,469)	(5,668)	(12,585)	(10,977)
Depreciation		(2,791)	(2,673)	(5,605)	(5,397)
Transportation and storage fee		(431)	(589)	(961)	(1,236)
Utilities and consumables		(1,212)	(1,072)	(2,267)	(1,910)
Rental and related expenses		(329)	(548)	(660)	(964)
Other operating expenses		(2,906)	(2,591)	(5,652)	(5,448)
LOSS BEFORE TAX FROM OPERATIONS		(2,392)	(3,802)	(5,582)	(7,704)
Finance costs		(143)	(126)	(294)	(225)
LOSS BEFORE TAX	6	(2,535)	(3,928)	(5,876)	(7,929)
Income tax credit	7	28	408	71	617
LOSS FOR THE PERIOD		<u>(2,507)</u>	<u>(3,520)</u>	<u>(5,805)</u>	<u>(7,312)</u>
Attributable to:					
Owners of the Company		(2,435)	(3,209)	(5,201)	(6,818)
Non-controlling interests		(72)	(311)	(604)	(494)
		<u>(2,507)</u>	<u>(3,520)</u>	<u>(5,805)</u>	<u>(7,312)</u>
Loss per share attributable to the owners of the Company					
– Basic and diluted (<i>expressed in HK cents per share</i>)	9	<u>(0.17)</u>	<u>(0.23)</u>	<u>(0.37)</u>	<u>(0.49)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the three and six months ended 30 June 2022*

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(2,507)</u>	<u>(3,520)</u>	<u>(5,805)</u>	<u>(7,312)</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income/(expense)				
not to be reclassified to profit or loss				
in subsequent periods:				
Revaluation surplus, net	798	710	1,596	1,420
Deferred tax debited to asset				
revaluation				
reserve	<u>(131)</u>	<u>(117)</u>	<u>(263)</u>	<u>(234)</u>
OTHER COMPREHENSIVE INCOME				
FOR THE PERIOD, NET OF TAX	<u>667</u>	<u>593</u>	<u>1,333</u>	<u>1,186</u>
TOTAL COMPREHENSIVE				
EXPENSE FOR THE PERIOD	<u>(1,840)</u>	<u>(2,927)</u>	<u>(4,472)</u>	<u>(6,126)</u>
Attributable to:				
Owners of the Company	<u>(1,768)</u>	<u>(2,616)</u>	<u>(3,868)</u>	<u>(5,632)</u>
Non-controlling interests	<u>(72)</u>	<u>(311)</u>	<u>(604)</u>	<u>(494)</u>
	<u>(1,840)</u>	<u>(2,927)</u>	<u>(4,472)</u>	<u>(6,126)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		27,412	29,147
Right-of-use assets		78,911	81,031
Prepayments, deposits and other receivables		2,363	2,491
Deferred tax assets		1,012	983
		109,698	113,652
TOTAL non-current assets			
CURRENT ASSETS			
Inventories		4,297	2,994
Trade receivables	10	9,752	10,205
Prepayments, deposits and other receivables		3,905	3,836
Due from related parties	11	31	8
Tax recoverable		33	33
Cash and cash equivalents		21,562	23,115
		39,580	40,191
TOTAL current assets			
CURRENT LIABILITIES			
Trade payables	12	4,762	4,081
Other payables and accruals		11,355	9,222
Interest-bearing bank borrowings	13	351	347
Lease liabilities		6,259	6,068
		22,727	19,718
TOTAL current liabilities			
NET CURRENT ASSETS		16,853	20,473
TOTAL ASSETS LESS CURRENT LIABILITIES			
		126,551	134,125

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	13	2,723	2,899
Other payables and accruals		1,180	1,180
Lease liabilities		14,770	17,917
Deferred tax liabilities		6,984	6,763
		<hr/>	<hr/>
Total non-current liabilities		25,657	28,759
		<hr/>	<hr/>
Net assets		100,894	105,366
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	14,000	14,000
Reserves		88,984	92,852
		<hr/>	<hr/>
		102,984	106,852
Non-controlling interests		(2,090)	(1,486)
		<hr/>	<hr/>
Total equity		100,894	105,366
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company							Non- controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Asset revaluation reserve	Accumulated loss	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2022 (Audited)	14,000	103,491*	(36,733)*	5,100*	34,015*	(13,021)*	106,852	(1,486)	105,366
Loss for the period	-	-	-	-	-	(5,201)	(5,201)	(604)	(5,805)
Other comprehensive income/(expense) for the period:									
Revaluation surplus, net	-	-	-	-	1,596	-	1,596	-	1,596
Deferred tax debited to asset revaluation reserve	-	-	-	-	(263)	-	(263)	-	(263)
Total comprehensive income/(expense) for the period	-	-	-	-	1,333	(5,201)	(3,868)	(604)	(4,472)
At 30 June 2022 (Unaudited)	<u>14,000</u>	<u>103,491*</u>	<u>(36,733)*</u>	<u>5,100*</u>	<u>35,348*</u>	<u>(18,222)*</u>	<u>102,984</u>	<u>(2,090)</u>	<u>100,894</u>
At 1 January 2021 (Audited)	14,000	103,491	(36,733)	5,100	26,382	10,112	122,352	1,509	123,861
Loss for the period	-	-	-	-	-	(6,818)	(6,818)	(494)	(7,312)
Other comprehensive income/(expense) for the period:									
Revaluation surplus, net	-	-	-	-	1,420	-	1,420	-	1,420
Deferred tax debited to asset revaluation reserve	-	-	-	-	(234)	-	(234)	-	(234)
Total comprehensive income/(expense) for the period	-	-	-	-	1,186	(6,818)	(5,632)	(494)	(6,126)
At 30 June 2021 (Unaudited)	<u>14,000</u>	<u>103,491</u>	<u>(36,733)</u>	<u>5,100</u>	<u>27,568</u>	<u>3,294</u>	<u>116,720</u>	<u>1,015</u>	<u>117,735</u>

* These reserve accounts comprise the consolidated reserves of HK\$88,984,000 (31 December 2021: HK\$92,852,000) in the condensed consolidated statements of financial position as at 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Unaudited	
	Six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(5,876)	(7,929)
Adjustments for:		
Bank interest income	(17)	(22)
Finance costs	294	225
Depreciation of property, plant and equipment	2,230	2,674
Depreciation of right-of-use assets	3,375	2,723
Gain on disposal of items of property, plant and equipment	(630)	–
	(624)	(2,329)
Decrease/(increase) in inventories	(1,303)	424
Decrease in trade receivables	453	2,809
Decrease in prepayments, deposits and other receivables	59	458
Decrease/(increase) in amounts due from related parties	(23)	10
Increase/(decrease) in trade payables	681	(217)
Increase/(decrease) in other payables and accruals	1,308	(80)
Cash generated from operations	551	1,075
Interest element of lease payments	(258)	(185)
Hong Kong profits tax paid	–	130
Net cash flows from operating activities	293	1,020
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	17	22
Purchases of items of property, plant and equipment	(154)	(340)
Proceeds from disposal of items of property, plant and equipment	630	–
Net cash flows from/(used in) investing activities	493	(318)

	Unaudited	
	Six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	(172)	(168)
Principle portion of lease payments	(2,956)	(1,735)
Loan from non-controlling shareholder	825	1,200
Interest paid	(36)	(40)
	<u>(2,339)</u>	<u>(743)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	23,115	29,061
	<u>(1,553)</u>	<u>(41)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>21,562</u>	<u>29,020</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	11,562	13,174
Non-pledged time deposits with original maturity of less than three months when acquired	10,000	15,846
	<u>10,000</u>	<u>15,846</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u>21,562</u>	<u>29,020</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

The condensed consolidated financial information is presented in Hong Kong dollars, which is also the functional currency of the Company.

The condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

The condensed consolidated financial information have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and with Hong Kong Accounting Standards ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial information have been prepared under the historical cost convention, except for leasehold land and 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.

The condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should read in conjunction with the Group's annual report for the year ended 31 December 2021.

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's financial information for the year ended 31 December 2021 except for the application of the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which have become effective in the current period.

The adoption of the new and revised HKFRSs had no material effect on the results and financial position.

4. 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.

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.

Amounts of segment assets and liabilities of the Group are managed on group basis.

(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 six months ended 30 June 2022 and 2021.

	Processing and trading of food products (which includes the transportation services)		Restaurant operation		Total	
	Unaudited Six months ended 30 June		Unaudited Six months ended 30 June		Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue (note 5)						
Sales to external customers	44,790	27,503	11,311	10,402	56,101	37,905
Intersegment sales	1,319	1,179	-	6	1,319	1,185
	46,109	28,682	11,311	10,408	57,420	39,090
Reconciliation: Elimination of intersegment sales					(1,319)	(1,185)
Revenue					56,101	37,905
Segment results	(4,761)	(7,373)	(1,096)	(538)	(5,857)	(7,911)
Interest income					17	22
Finance costs (other than interest on lease liabilities)					(36)	(40)
Loss before tax					(5,876)	(7,929)
Income tax credit					71	617
Loss for the period					(5,805)	(7,312)

(b) Geographical information

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

(c) Information about major customers

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A [#]	10,022	N/A*	17,445	N/A*
Customer B [#]	N/A*	N/A*	N/A*	N/A*
Customer C [#]	N/A*	N/A*	N/A*	N/A*

Included sales to a group of entities which are known to be under common control with that customer

* Less than 10% of the Group's revenue

5. REVENUE

An analysis of revenue is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers	28,544	19,357	56,101	37,905

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	Processing and trading of food products (which includes the transportation services)		Restaurant operation		Total	
	Unaudited Six months ended 30 June		Unaudited Six months ended 30 June		Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Type of goods or services						
Sales of food products	44,487	26,050	-	-	44,487	26,050
Income from the provision of transportation services	303	1,453	-	-	303	1,453
Income from the operation of restaurants	-	-	11,311	10,402	11,311	10,402
Total revenue from contracts with customers	<u>44,790</u>	<u>27,503</u>	<u>11,311</u>	<u>10,402</u>	<u>56,101</u>	<u>37,905</u>
Timing of revenue recognition						
Goods transferred at a point in time	44,487	26,050	11,311	10,402	55,798	36,452
Services transferred over time	303	1,453	-	-	303	1,453
Total revenue from contracts with customers	<u>44,790</u>	<u>27,503</u>	<u>11,311</u>	<u>10,402</u>	<u>56,101</u>	<u>37,905</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 60 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.

6. LOSS BEFORE TAX

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Cost of inventories consumed	18,905	10,464	36,862	20,746
Depreciation of property, plant and equipment	1,103	1,311	2,230	2,674
Depreciation of right-of-use assets	1,688	1,362	3,375	2,723
Total depreciation	2,791	2,673	5,605	5,397
Lease payments not included in the measurement of leases liabilities	–	270	–	535
Other related expenses	329	278	660	429
Rental and related expenses	329	548	660	964
Total employee benefit expenses	6,469	5,668	12,585	10,977
Bank interest income	(15)	(20)	(17)	(22)

7. 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 six months ended 30 June 2022, 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%).

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Current – Hong Kong				
Charge/(credit) for the period	–	36	–	52
Deferred	(28)	(444)	(71)	(669)
Total tax credit for the period	(28)	(408)	(71)	(617)

8. DIVIDENDS

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

9. 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:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss				
Loss attributable to owners of the Company used in the basic loss per share calculation	<u>(2,435)</u>	<u>(3,209)</u>	<u>(5,201)</u>	<u>(6,818)</u>
	Number of shares			
	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022	2021	2022	2021
	'000	'000	'000	'000
Shares				
Weighted average number of ordinary shares in issue used in the basic loss per share calculation	<u>14,000,000</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>
Loss per share:				
Basic (<i>HK cents</i>)	<u>(0.17)</u>	<u>(0.23)</u>	<u>(0.37)</u>	<u>(0.49)</u>

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. TRADE RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Trade receivables from:		
Third party customers	9,782	9,615
Related companies	567	1,324
	<hr/>	<hr/>
	10,349	10,939
Impairment	(597)	(734)
	<hr/>	<hr/>
	9,752	10,205
	<hr/> <hr/>	<hr/> <hr/>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 45 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Within 1 month	6,501	5,855
1 to 2 months	1,688	2,335
2 to 3 months	914	841
Over 3 months	649	1,174
	<hr/>	<hr/>
	9,752	10,205
	<hr/> <hr/>	<hr/> <hr/>

11. BALANCES WITH RELATED PARTIES AND THE ULTIMATE HOLDING COMPANY

Balances with related companies and the ultimate holding company are non-trade in nature, unsecured, interest-free and repayable on demand.

12. TRADE PAYABLES

	Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
Trade payables to:		
Third party suppliers	4,684	3,957
Related companies		
– Guangzhou Ge Yun	78	124
	<u>4,762</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:

	Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
Within 1 month	4,762	4,078
1 to 2 months	–	3
	<u>4,762</u>	<u>4,081</u>

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

13. INTEREST-BEARING BANK BORROWINGS

	Unaudited As at 30 June 2022			Audited As at 31 December 2021		
	Effective interest rate (%)	Maturity	<i>HK\$'000</i>	Effective interest rate (%)	Maturity	<i>HK\$'000</i>
Current						
Bank loans – secured	3.0 below prime rate	July 2022– June 2023	351	3.0 below prime rate	2022	347
			<u>351</u>			<u>347</u>
Non-current						
Bank loans – secured	3.0 below prime rate	July 2023– 2030	2,723	3.0 below prime rate	2023– 2030	2,899
			<u>3,074</u>			<u>3,246</u>

14. SHARE CAPITAL

Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	Unaudited As at 30 June 2022 HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	100,000
Issued and fully paid: 1,400,000,000 ordinary shares of HK\$0.01 each	14,000

15. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.

16. COMMITMENTS

The Group had no capital commitments at the end of the reporting period.

17. RELATED PARTY TRANSACTIONS

- (a) The directors are of the view that the following persons and entities were related parties that had material transactions or balances with the Group:

Name of the related party	Relationship with the Group
Ms. Jeong Sok Ieng ("Ms. Jeong")	Mother of Mr. Yu Ting Hei ("Mr. Yu"). Mr. Yu is a director of the Company and a shareholder of Keyview Ventures.
Yau Heng	Mr. Yu, a director of the Company and a shareholder of Keyview Ventures, and his family members including Ms. Jeong, are beneficial shareholders of Yau Heng.
Winning Futures	Ms. Jeong, mother of Mr. Yu, is a beneficial and controlling shareholder of Winning Futures.
Iao Ip Property	Mr. Yu and his family members are beneficial shareholders of Iao Ip Property.
Guangzhou Ge Yun	The spouse of Ms. Ou Honglian ("Ms. Ou") and her family member are beneficial shareholders of Guangzhou Ge Yun. Ms. Ou is a director of the Company and a shareholder of Keyview Ventures.

- (b) In addition to the transactions detailed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with related parties:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Yau Heng[^]				
Sales of goods	1,814	1,425	3,513	2,856
Purchases of goods	–	7	–	7
Transportation service income	18	13	42	31
	<u>1,814</u>	<u>1,425</u>	<u>3,513</u>	<u>2,856</u>
Guangzhou Ge Yun[^]				
Purchase of goods	180	204	873	385
Consumable expenses	6	8	8	8
	<u>180</u>	<u>204</u>	<u>873</u>	<u>385</u>
Iao Ip Property[^]				
Rental expense (note)	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Winning Futures[^]				
Sales of goods	–	833	237	1,067
Transportation service income	–	7	2	11
	<u>–</u>	<u>833</u>	<u>237</u>	<u>1,067</u>

[^] These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

Note: The Group leased properties from Iao Ip Property as food factory and warehouse. The monthly lease payables were charged with reference to market rates. For the six months ended 30 June 2022, depreciation of right-of-use assets of HK\$585,000 (2021: HK\$1,016,000) and finance costs on lease liabilities of HK\$90,000 (2021: HK\$91,000) were charged to the consolidated statement of profit and loss.

The transactions with related companies were conducted on terms and conditions mutually agreed between the relevant parties.

- (c) **Compensation of key management personnel of the Group**

	Audited Three months ended 30 June		Audited Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short term employee benefits	1,232	1,212	2,465	2,421
Post-employment benefits	18	18	36	36
	<u>1,232</u>	<u>1,212</u>	<u>2,465</u>	<u>2,421</u>
Total compensation paid to key management personnel	1,250	1,230	2,501	2,457
	<u>1,250</u>	<u>1,230</u>	<u>2,501</u>	<u>2,457</u>

18. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 8 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in processing and sales of raw, frozen and cooked food products (which includes provision of transportation services) and the operation of restaurants in Hong Kong.

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 Worldwide Holdings Limited (“Wing Si”) pursuant to which Winning Tower Group is interested as to 55% and Wing Si is interested as to 45% of a joint venture (the “Joint Venture”), 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.

For the six months ended 30 June 2022, revenue from the Joint Venture recorded approximately HK\$8.7 million, representing a decrease of 11.1% compared with last year’s corresponding period.

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.

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, save for certain exceptions stipulated in the Joint Venture Agreement. 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 (the “Shareholders”) 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 adopt a pragmatic and positive approach to develop the business to enhance the profitability of the Group and interests of the Shareholders.

USE OF PROCEEDS

From the listing date to 30 June 2022, 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:

	Planned use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of proceeds up to 30 June 2022 (HK\$ million)
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>

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group recorded approximately HK\$56.1 million revenue as compared with last year’s corresponding period of approximately HK\$37.9 million, representing an increase of approximately 48.0%. The increase was mainly due to the exploring of new business in trading and processing of raw and frozen food products. Of which, approximately HK\$44.8 million was contributed from processing and trading of food products (which includes provision of transportation services) (2021: HK\$27.5 million) and approximately HK\$11.3 million was from restaurant operation (2021: HK\$10.4 million).

Cost of inventories and loss before tax

For the six months ended 30 June 2022, the Group's cost of inventories consumed and loss before tax from operations was approximately HK\$36.9 million and HK\$5.6 million respectively, where those for the last year's corresponding period were approximately HK\$20.7 million and approximately HK\$7.7 million respectively. The increase in cost of inventories consumed was in line with the increase in revenue.

Gross profit and gross profit margin

Based on the above, the gross profit and gross profit margin for the six months ended 30 June 2022 was HK\$19.2 million and 34.2% respectively (2021: HK\$17.2 million and 45.4% respectively).

Employee benefit expenses

For the six months ended 30 June 2022, the Group's employee benefit expenses increased to approximately HK\$12.6 million from last year's corresponding period's approximately HK\$11.0 million which was mainly attributable to increase in headcount.

Income tax credit

For the six months ended 30 June 2022, the Group's income tax credit was approximately HK\$71,000 while that of last year's corresponding period was approximately HK\$0.6 million. The change in income tax credit was due to decrease in loss before tax.

Loss for the period

Based on the above reasons, for the six months ended 30 June 2022, the Group recorded a net loss for the period of approximately HK\$5.8 million versus HK\$7.3 million of last year's corresponding period.

The board of Directors does not recommend a payment of an interim dividend for the six months ended 30 June 2022.

Liquidity and financial resources

As at 30 June 2022, the Group had net current assets of approximately HK\$16.9 million (31 December 2021: HK\$20.5 million), of which cash at bank consisted of approximately HK\$21.6 million (31 December 2021: HK\$23.1 million). The Group had bank borrowings amounted to approximately HK\$3.1 million (31 December 2021: HK\$3.2 million).

Gearing ratio

As at 30 June 2022, the Group's gearing ratio was approximately 3.0% (31 December 2021: 3.0%), which is calculated based on the Group's bank loans of approximately HK\$3.1 million (31 December 2021: HK\$3.2 million) and the equity attributable to owners of the Company of approximately HK\$103.0 million (31 December 2021: HK\$106.9 million).

Capital structure

As at 30 June 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 since its listing.

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.

Contingent liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil).

Charge of assets

As at 30 June 2022, the Group's leasehold land and owned buildings held for own use with a net carrying amount of approximately HK\$64.3 million (31 December 2021: HK\$64.3 million) have been pledged to secure banking facilities granted to the Group.

Currency risk

As at 30 June 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 30 June 2022, the Group did not have any material capital commitments (31 December 2021: Nil).

Material acquisitions and disposals of subsidiaries and affiliated companies

Saved as disclosed, during the six months ended 30 June 2022, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

On 2 July 2019, Winning Tower Group had entered into property disposal agreements (the “Property Disposal Agreements”) with Iao Ip Property Investment Limited (“Iao Ip Property”), pursuant to which Iao Ip Property has conditionally agreed to acquire and Winning Tower Group has conditionally agreed to sell two properties, namely, Unit 803 and 808, 8/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong is HK\$27,645,000, while the consideration about the sale and purchase of Unit 808, 8/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong (the “Properties”) at the aggregated consideration of HK\$45,516,400. Of which, the consideration of Unit 803 and 808 was HK\$27,645,000 and HK\$17,841,400 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 shall lease to Winning Tower Group as tenant the Properties for a term of three years commencing from the date which all the conditions precedent are fulfilled according to the Property Disposal Agreements. According to the Leasing Agreements, the rent for Unit 803 and 808 is 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 the 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 30 June 2022, the proceeds were fully applied, of which approximately HK\$22.5 million had been used to repay certain bank borrowings, approximately HK\$19.1 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.

Future plans for material investments and capital assets

Save as disclosed above and in the section “Future Plans and Use of Proceeds” of the Prospectus, as at 30 June 2017, the Group did not have other plans for material investments and capital assets.

Employee and emolument policies

As at 30 June 2022, the Group had 78 full-time employees (30 June 2021: 67). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover.

Subsequent events

Save as disclosed above, there were no material events occurred after the six months ended 30 June 2022.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2022, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") are as follows:

Shares of associated corporations of the Company

Name of associated corporation	Name of Director	Number of shares	Approximate percentage
Keyview Ventures Limited	Lai King Wah	6,975	24.53%
Keyview Ventures Limited	Lai Ho Yin Eldon	307	1.08%
Keyview Ventures Limited	Ho Timothy Kin Wah	815	2.87%
Keyview Ventures Limited	Yu Ting Hei	5,407	19.02%
Keyview Ventures Limited	Ou Honglian	6,600	23.22%

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions

which were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDER’S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 June 2022, other than the director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Name of shareholder	Number of shares	Percentage to the issued share capital of the Company
Keyview Ventures Limited	1,050,000,000	75%

Save as disclosed above, as at 30 June 2022, no other persons had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has a share option scheme (the “Share Option Scheme”) which was approved and adopted by the shareholder of the Company by way of written resolution on 5 June 2017 which has a valid period of 10 years from the date of adoption of the Share Option Scheme (i.e., 5 June 2017, the “Adoption Date”) to the tenth anniversary of the Adoption Date.

No share option has been granted under the Share Option Scheme since its adoption.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the six months ended 30 June 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

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 Listing Date to 30 June 2022.

COMPETING INTERESTS

Keyview Ventures Limited, Kam Lee Investment Company Limited, Mr. KW Lai, Top Ocean Investment Limited, Ms. Ou, Mr. Yu, Ms. Li, Mr. Timothy Ho and Mr. Eldon Lai, individually and collectively as the controlling shareholder(s) (the "Controlling Shareholder(s)") (as defined under GEM Listing Rules) of the Company, has entered into the deed of non-competition dated 5 June 2017 (the "Deed of Non-competition") in favor of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the Controlling Shareholders have irrevocably undertaken to the Company that they will not and will procure their respective close associate (except any member of the Group) not to, directly or indirectly, commence, engage in or invest any business which competes or may compete directly or indirectly with the core business of the Group, being a food supplier focusing on processed raw and cooked food products in Hong Kong.

As at 30 June 2022, none of the Directors, the substantial Shareholders and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CORPORATE GOVERNANCE

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. To the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code throughout the period under review except as below:

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.

AUDIT COMMITTEE

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

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

Hong Kong, 8 August 2022

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 Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.wtgl.hk.