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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)

CONTINUING CONNECTED TRANSACTIONS

MASTER SUPPLY AGREEMENT AND SUPPLEMENTAL JOINT VENTURE AGREEMENT

Reference is made to the voluntary announcement (the “**Announcement**”) of Winning Tower Group Holdings Limited (the “**Company**”) issued on 24 May 2019. Unless the context otherwise requires, capitalised terms defined in the Announcement have the same meanings when used in this announcement.

MASTER SUPPLY AGREEMENT

On 22 January 2021 (after trading hours), Winning Tower (for itself and as trustee for the benefit of its subsidiaries from time to time) entered into the Master Supply Agreement with Wing’s Management (for itself and as trustee for the benefit of its subsidiaries from time to time), Wing’s Catering WC, Wing’s Catering TKT and Ever Wardley for supplying certain frozen raw processed meat products to Wing’s Group for the three financial years ending 31 December 2023.

SUPPLEMENTAL JOINT VENTURE AGREEMENT

On 22 January 2021 (after trading hours), Winning Tower, Wing Si Worldwide, the Joint Venture, Wing’s Management and H & K Holdings entered into the Supplemental Joint Venture Agreement for certain additional terms and conditions in relation to the management and operation of the Joint Venture by Wing Si Worldwide pursuant to the Joint Venture Agreement, and the payment of licensing fee to Wing’s Management (for itself and on behalf of H & K Holdings) pursuant to the Licensing Agreement, for the three financial years ending 31 December 2023.

GEM LISTING RULES IMPLICATION

The Joint Venture is an indirect non-wholly owned subsidiary of the Company and it is owned as to 55% by Winning Tower and as to 45% by Wing Si Worldwide, respectively.

As the relevant percentage ratios (as defined under Rule 20.08 of the GEM Listing Rules) in respect of the Joint Venture were less than 5% from the date of its incorporation on 21 May 2019 to 31 December 2019, the Joint Venture had been an insignificant subsidiary of the Company under Rule 20.08 of the GEM Listing Rules and therefore Wing's Group was excepted to be a connected person of the Group under the GEM Listing Rules.

According to the unaudited management accounts of the Group for the ten months ended 31 October 2020, the Directors estimate that when the audited figures of the Group and the Joint Venture for the year ended 31 December 2020 become available, the relevant percentage ratios (as defined under Rule 20.08 of the GEM Listing Rules) in respect of the Joint Venture will exceed 10% for the year ended 31 December 2020. Therefore, the Joint Venture will cease to be an insignificant subsidiary of the Company under Rule 20.08 of the GEM Listing Rules and Wing's Group will not meet the conditions for the exception under Rule 20.08 of the GEM Listing Rules and become a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Master Supply Agreement, and the transactions contemplated under the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement), will become continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Based on the requirement of Rule 20.58 of the GEM Listing Rules, the Company must, as soon as practicable after becoming aware of such fact, comply with the annual review and disclosure requirements including publishing an announcement and annual reporting for the transactions the Group continues to conduct and when such agreements are renewed or their terms are varied, comply with all connected transaction requirements.

As the aggregate annual transaction amounts in respect of the Master Supply Agreement for each of the three years ending 31 December 2023 shall be less than HK\$6,500,000, HK\$7,500,000 and HK\$8,500,000 respectively and one or more of the applicable percentage ratios (as defined under Chapter 20 of the GEM Listing Rules) are less than 25% and the annual consideration is less than HK\$10,000,000, the transactions contemplated under the Master Supply Agreement will be subject to the requirements of reporting, annual review and announcement but are exempt from compliance with the requirements of circular (including independent financial advice) and approval by the independent Shareholders under Chapter 20 of the GEM Listing Rules.

The continuing connected transactions contemplated under the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement) are aggregated pursuant to Rule 20.79 of the GEM Listing Rules.

As the aggregate annual transaction amounts in respect of the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement) for each of the three years ending 31 December 2023 shall be less than HK\$7,500,000, HK\$8,500,000 and HK\$9,500,000 respectively and one or more of the applicable percentage ratios (as defined under Chapter 20 of the GEM Listing Rules) are less than 25% and the annual consideration is less than HK\$10,000,000, the transactions contemplated under the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement) will be subject to the

requirements of reporting, annual review and announcement but are exempt from compliance with the requirements of circular (including independent financial advice) and approval by the independent Shareholders under Chapter 20 of the GEM Listing Rules.

MASTER SUPPLY AGREEMENT

On 22 January 2021 (after trading hours), Winning Tower (for itself and as trustee for the benefit of its subsidiaries from time to time) entered into the Master Supply Agreement with Wing's Management (for itself and as trustee for the benefit of its subsidiaries from time to time), Wing's Catering WC, Wing's Catering TKT and Ever Wardley for supplying certain frozen raw processed meat products to Wing's Group for the three financial years ending 31 December 2023.

The material terms of the Master Supply Agreement are set out as follows:

Date

22 January 2021 (after trading hours)

Parties

- (i) Winning Tower and its subsidiaries from time to time (as the suppliers); and
- (ii) Wing's Management and its subsidiaries from time to time, Wing's Catering WC, Wing's Catering TKT and Ever Wardley (as the purchasers)

Term

From 1 January 2021 to 31 December 2023 (both days inclusive)

Nature of the transactions

Winning Tower and its subsidiaries agreed to supply certain frozen raw processed meat products to certain members of Wing's Group on the basis of individual purchase order placed by each of the relevant members of Wing's Group.

Pricing policy

Pursuant to the Master Supply Agreement, Winning Tower and its subsidiaries (as the suppliers) and certain members of Wing's Group (as the purchasers) agreed to enter into separate purchase order in respect of each supply of frozen raw and processed meat products to specify the details of each supply including but not limited to the types and/or specifications of the frozen raw and processed meat products, quantity, selling prices, payment terms, date and mode of delivery and other relevant terms in relation to that sales. The terms of such purchase order shall be consistent with the terms under the Master Supply Agreement and shall comply with the principles of the Master Supply Agreement.

The selling price of each and every sales shall be separately determined on order-by-order basis by the parties to the Master Supply Agreement according to the following principles:
(i) the selling price shall be determined after arm's length negotiation between the parties to the Master Supply Agreement and shall be in accordance with normal and reasonable

commercial terms; (ii) the selling price shall be at prevailing market price; and (iii) the selling price shall be no less favourable to the Group than the selling prices offered by the Group to its other independent customers.

To ensure the selling price of each and every sales is in accordance with the principles set out above, the Group shall, when determining the selling price, make reference to (i) the creditability of Wing's Group; (ii) the expected cost to be incurred by the Group in supplying the frozen raw and processed meat products; (iii) the marginal profit to be made by the Group, which is expected to be comparable to the profit that can be realised by sales to its other independent customers; and (iv) any adjustments, which shall be comparable to that offered by the Group to its independent customers, based on expected quantity, quality, delivery plan, specifications and market competition condition of the frozen raw and processed meat products to be purchased by Wing's Group.

Internal control measures

- (i) The relevant personnel of the Group will keep track of the aggregate amount of sales by Winning Tower and its subsidiaries to the relevant members of Wing's Group for the supply of certain frozen raw and processed meat products to the relevant members of Wing's Group under the Master Supply Agreement for the purpose of ensuring that the annual caps will not be exceeded; and
- (ii) The Company has adopted relevant reporting and record-keeping procedures to allow independent non-executive Directors and auditors of the Company to perform annual review of the sales of certain frozen raw and processed meat products under the Master Supply Agreement.

Historical figures and proposed annual caps

For each of the two years ended 31 December 2019 and the ten months ended 31 October 2020, the Group's total revenue attributable to the sales of the relevant products to the relevant members of Wing's Group in aggregate was approximately HK\$5.1 million, HK\$5.8 million and HK\$4.7 million, respectively, or represents approximately 3.7%, 4.3% and 7.6% of the Group's total revenue respectively.

Based on the aforesaid historical figures, the aggregate annual transaction amounts in respect of the Master Supply Agreement for each of the three years ending 31 December 2023 shall be less than HK\$6,500,000, HK\$7,500,000 and HK\$8,500,000 respectively.

The basis of the proposed annual cap in respect of the Master Supply Agreement is determined with the consideration of (i) the historical figures; and (ii) the expected demand of the relevant products by the relevant members of Wing's Group from the Group for each of the three years ending 31 December 2023.

Reasons for and the benefits of entering into the Master Supply Agreement

The Group has established business relationships with Wing's Group since 2014.

Taking into account that (i) the sales price to the relevant members of Wing's Group is no less favourable to the Group than the price the Group sells to its other independent customers; (ii) the sales to the relevant members of Wing's Group are on normal commercial terms; and (iii) the established business relationships between the Group and Wing's Group, the Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Master Supply Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and together with the annual cap thereunder, are fair and reasonable; and (ii) it will be in the interests of the Group and the Shareholders as a whole to continue such transactions with the relevant members of Wing's Group.

As such, the Group will continue to supply the relevant products to the relevant members of Wing's Group.

SUPPLEMENTAL JOINT VENTURE AGREEMENT

For the material terms of the Joint Venture Agreement and the Licensing Agreement, please refer to the Announcement.

Given that Wing's Group will not meet the conditions for the exception under Rule 20.08 of the GEM Listing Rules and become a connected person of the Company under the GEM Listing Rules, in view of the requirement of Rule 20.58 of the GEM Listing Rules, the Directors consider that it is necessary to enter into the Supplemental Joint Venture Agreement to impose certain additional terms and conditions in order to comply with all connected transaction requirements under the GEM Listing Rules.

On 22 January 2021 (after trading hours), Winning Tower, Wing Si Worldwide, the Joint Venture, Wing's Management and H & K Holdings entered into the Supplemental Joint Venture Agreement for certain additional terms and conditions in relation to the management and operation of the Joint Venture by Wing Si Worldwide pursuant to the Joint Venture Agreement, and the payment of licensing fee to Wing's Management (for itself and on behalf of H & K Holdings) pursuant to the Licensing Agreement, for the three financial years ending 31 December 2023.

The material additional terms and conditions imposed by the Supplemental Joint Venture Agreement are set out as follows:

Date

22 January 2021 (after trading hours)

Parties

- (i) Winning Tower;
- (ii) Wing Si Worldwide;
- (iii) the Joint Venture;
- (iv) Wing's Management; and
- (v) H & K Holdings

Term

From 1 January 2021 to 31 December 2023 (both days inclusive)

Nature of the transactions

Pursuant to the Joint Venture Agreement, Wing Si Worldwide shall be responsible for the establishment, licensing, renovation, daily operation and management of all the restaurants of the Joint Venture, in consideration thereof, the Joint Venture shall pay to Wing Si Worldwide the monthly management fee at either 5% of the monthly revenue of the Joint Venture or HK\$30,000 (whichever is higher), payable within one month after the end of each calendar month.

In providing such management service under the Joint Venture Agreement, Wing Si Worldwide will (either by itself or through Wing's Group) help procure materials and provide human resources support for the Joint Venture as well as incur other out-of-pocket expenses which are all charged by Wing Si Worldwide against the Joint Venture at cost (on top of the monthly management fee).

Pursuant to the Licensing Agreement, Wing's Management and H & K Holdings shall grant the Joint Venture (for itself and for the benefits of its subsidiary(ies)) a sole, exclusive, irrevocable and non-transferable right to use the Wing's Intellectual Properties, and in consideration thereof, the Joint Venture shall pay to Wing's Management (for itself and on behalf of H & K Holdings) certain licensing fee. Please refer to page 10 of the Announcement for the mechanism of determining the amount of the licensing fee.

Pricing policy in relation to items to be charged by Wing Si Worldwide at cost

Pursuant to the Supplemental Joint Venture Agreement, Wing Si Worldwide and the Joint Venture agreed to enter into separate purchase order in respect of each item to be charged by Wing Si Worldwide at cost, including but not limited to cost of materials, cost of human resources support for the Joint Venture as well as other out-of-pocket expenses. Such purchase order shall specify the details of each item to be charged including but not limited to the specifications, quantity, selling prices, payment terms, date and mode of delivery and other relevant terms in relation to that item. The terms of such purchase order shall be consistent with the terms under the Supplemental Joint Venture Agreement and shall comply with the principles of the Supplemental Joint Venture Agreement.

The price of each and every purchase order shall be separately determined on order-by-order basis by Wing Si Worldwide and the Joint Venture according to the following principles: (i) each item shall be charged at cost; (ii) the price shall be determined after arm's length negotiation between Wing Si Worldwide and the Joint Venture and shall be in accordance with normal and reasonable commercial terms; (iii) the price shall be at prevailing market price; and (iv) the price shall be no less favourable to the Joint Venture than the prices offered to the Joint Venture by its other independent suppliers and/or service providers.

To ensure the price of each and every purchase order is in accordance with the principles set out above, the Group shall, when determining the price, make reference to (i) at least two market prices of contemporaneous transactions for the same items; (ii) the expected cost to be incurred by Wing's Group in providing such items; and (iii) the prevailing market price

of similar items available from other independent suppliers and/or service providers having regard to the quantity, specifications, credit terms and/or other conditions of such items to be offered in the market.

Internal control measures

- (i) The relevant personnel of the Group will keep track of the aggregate amount of transactions by the Joint Venture to Wing Si Worldwide and Wing's Management (for itself and on behalf of H & K Holdings) under the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement) for the purpose of ensuring that the annual caps will not be exceeded; and
- (ii) The Company has adopted relevant reporting and record-keeping procedures to allow independent non-executive Directors and auditors of the Company to perform annual review of the transactions under the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement).

Historical figures and proposed annual caps

For the period from the date of incorporation of the Joint Venture on 21 May 2019 to 31 December 2019 and the ten months ended 31 October 2020, the Group's total expenses in relation to the management and operation of the Joint Venture by Wing Si Worldwide pursuant to the Joint Venture Agreement (including the management fee and the items charged at cost) were in aggregate approximately HK\$1.6 million and HK\$2.8 million, respectively.

For the period from the date of incorporation of the Joint Venture on 21 May 2019 to 31 December 2019 and the ten months ended 31 October 2020, the licensing fee payable by the Joint Venture to Wing's Management (for itself and on behalf of H & K Holdings) pursuant to the Licensing Agreement was in aggregate approximately HK\$0.8 million and HK\$1.0 million, respectively.

Based on the aforesaid historical figures, the aggregate annual transaction amounts in respect of the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement) for each of the three years ending 31 December 2023 shall be less than HK\$7,500,000, HK\$8,500,000 and HK\$9,500,000 respectively.

The basis of the proposed annual cap in respect of the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement) is determined with the consideration of (i) the historical figures; (ii) the expected number of new restaurants to be opened by the Joint Venture for each of the three years ending 31 December 2023; and (iii) the expected demand of the management services to be provided and the items to be charged at cost by Wing Si Worldwide to the Joint Venture for each of the three years ending 31 December 2023.

Reasons for and the benefits of entering into the Supplemental Joint Venture Agreement

For the reasons and benefits of the formation of the Joint Venture, please refer to page 13 of the Announcement.

Taking into account that (i) each item to be charged by Wing Si Worldwide for the purpose of providing the management service under the Joint Venture Agreement shall be charged at cost; (ii) the price shall be determined after arm's length negotiation between Wing Si Worldwide and the Joint Venture and shall be in accordance with normal and reasonable commercial terms; (iii) the price shall be at prevailing market price; (iv) the price shall be no less favourable to the Joint Venture than the prices offered to the Joint Venture by other independent suppliers and/or service providers; and (v) the established business relationships between the Group and Wing's Group, the Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Supplemental Joint Venture Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and together with the annual cap thereunder, are fair and reasonable; and (ii) it will be in the interests of the Group and the Shareholders as a whole to enter into the Supplemental Joint Venture Agreement.

INFORMATION OF THE PARTIES

The Group is principally a food supplier focusing on processed raw and cooked food products in Hong Kong.

Wing's Group is principally engaged in the catering and food business in Hong Kong, has been operating restaurants in Hong Kong for over ten years, and has been a customer of the Group since 2014.

GEM LISTING RULES IMPLICATIONS

The Joint Venture is an indirect non-wholly owned subsidiary of the Company and it is owned as to 55% by Winning Tower and as to 45% by Wing Si Worldwide, respectively.

As the relevant percentage ratios (as defined under Rule 20.08 of the GEM Listing Rules) in respect of the Joint Venture were less than 5% from the date of its incorporation on 21 May 2019 to 31 December 2019, the Joint Venture had been an insignificant subsidiary of the Company under Rule 20.08 of the GEM Listing Rules and therefore Wing's Group was exempted to be a connected person of the Group under the GEM Listing Rules.

According to the unaudited management accounts of the Group for the ten months ended 31 October 2020, the Directors estimate that when the audited figures of the Group and the Joint Venture for the year ended 31 December 2020 become available, the relevant percentage ratios (as defined under Rule 20.08 of the GEM Listing Rules) in respect of the Joint Venture will exceed 10% for the year ended 31 December 2020. Therefore, the Joint Venture will cease to be an insignificant subsidiary of the Company under Rule 20.08 of the GEM Listing Rules and Wing's Group will not meet the conditions for the exception under Rule 20.08 of the GEM Listing Rules and become a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Master Supply Agreement, and the transactions contemplated under the Joint Venture Agreement and the

Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement), will become continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Based on the requirement of Rule 20.58 of the GEM Listing Rules, the Company must, as soon as practicable after becoming aware of such fact, comply with the annual review and disclosure requirements including publishing an announcement and annual reporting for the transactions the Group continues to conduct and when such agreements are renewed or their terms are varied, comply with all connected transaction requirements.

As the aggregate annual transaction amounts in respect of the Master Supply Agreement for each of the three years ending 31 December 2023 shall be less than HK\$6,500,000, HK\$7,500,000 and HK\$8,500,000 respectively and one or more of the applicable percentage ratios (as defined under Chapter 20 of the GEM Listing Rules) are less than 25% and the annual consideration is less than HK\$10,000,000, the transactions contemplated under the Master Supply Agreement will be subject to the requirements of reporting, annual review and announcement but are exempt from compliance with the requirements of circular (including independent financial advice) and approval by the independent Shareholders under Chapter 20 of the GEM Listing Rules.

The continuing connected transactions contemplated under the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement) are aggregated pursuant to Rule 20.79 of the GEM Listing Rules.

As the aggregate annual transaction amounts in respect of the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement) for each of the three years ending 31 December 2023 shall be less than HK\$7,500,000, HK\$8,500,000 and HK\$9,500,000 respectively and one or more of the applicable percentage ratios (as defined under Chapter 20 of the GEM Listing Rules) are less than 25% and the annual consideration is less than HK\$10,000,000, the transactions contemplated under the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement) will be subject to the requirements of reporting, annual review and announcement but are exempt from compliance with the requirements of circular (including independent financial advice) and approval by the independent Shareholders under Chapter 20 of the GEM Listing Rules.

None of the Directors was required to abstain from voting on the relevant resolutions of the Board approving the transactions contemplated under the Master Supply Agreement, and the transactions contemplated under the Joint Venture Agreement and the Licensing Agreement (as together supplemented by the Supplemental Joint Venture Agreement) because none of them has any material interest in these transactions.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms defined in the Announcement have the same meanings when used in this announcement, and terms used herein shall have the following meanings:

- “Ever Wardley” Ever Wardley Limited (永獲利有限公司), a company incorporated in Hong Kong with limited liability on 9 February 2010 and is entirely owned by Mr. Hung
- “Master Supply Agreement” the master supply agreement dated 22 January 2021 entered into between Winning Tower (for itself and as trustee for the benefit of its subsidiaries from time to time), Wing’s Management (for itself and as trustee for the benefit of its subsidiaries from time to time), Wing’s Catering WC, Wing’s Catering TKT and Ever Wardley for supplying certain frozen raw processed meat products to Wing’s Group for the three financial years ending 31 December 2023
- “Wing’s Catering WC” Wing’s Catering (Wan Chai) Limited (榮式餐飲(灣仔)有限公司), a company incorporated in Hong Kong with limited liability on 23 June 2000 and is owned by Mr. Hung and Wing’s Management in equal shares
- “Wing’s Group” a group principally engaged in the catering and food business in Hong Kong and is owned and controlled by Mr. Hung and his family members (including Mr. Kung and Ms. Kung), and as of the date of this announcement, comprising of Wing’s Management and its subsidiaries, Wing Si Worldwide, Wing’s Catering WC, Wing’s Catering TKT, H & K Holdings and Ever Wardley
- “Wing Si Worldwide” Wing Si Worldwide Holdings Limited (榮式環球控股有限公司), a company incorporated in Hong Kong with limited liability on 29 August 2014 and is owned by Mr. Hung and Mr. Kung in equal shares

“Supplemental Joint Venture Agreement”

the supplemental joint venture agreement dated 22 January 2021 entered into between Winning Tower, Wing Si Worldwide, the Joint Venture, Wing’s Management and H & K Holdings for certain additional terms and conditions in relation to the management and operation of the Joint Venture by Wing Si Worldwide pursuant to the Joint Venture Agreement, and the payment of licensing fee to Wing’s Management (for itself and on behalf of H & K Holdings) pursuant to the Licensing Agreement, for the three financial years ending 31 December 2023

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

Hong Kong, 22 January 2021

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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regards 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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.wtgl.hk.