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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 2020, together with the comparative results for the previous year:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	4	76,806	134,741
Cost of inventories consumed		(49,403)	(90,836)
Other income		5,879	2,946
Employee benefit expenses		(18,243)	(21,346)
Depreciation		(9,439)	(9,735)
Transportation and storage fee		(2,635)	(3,614)
Utilities and consumables		(2,748)	(3,097)
Rental and related expenses		(1,937)	(1,497)
Other operating expenses, net		(4,937)	(15,986)
LOSS BEFORE TAX FROM OPERATIONS		(6,657)	(8,424)
Finance costs		(705)	(729)
LOSS BEFORE TAX	5	(7,362)	(9,153)
Income tax credit/(expense)	6	1,206	(188)
LOSS FOR THE YEAR		(6,156)	(9,341)
Attributable to:			
Owners of the Company		(5,734)	(7,602)
Non-controlling interests		(422)	(1,739)
		(6,156)	(9,341)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic and diluted (expressed in HK cent per share)	8	(0.41)	(0.54)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(6,156)</u>	<u>(9,341)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:		
Revaluation surplus, net	3,125	1,418
Deferred tax debited to asset revaluation reserve	(516)	(234)
Deferred tax credited to asset revaluation reserve upon disposal of assets	<u>–</u>	<u>6,733</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>2,609</u>	<u>7,917</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u><u>(3,547)</u></u>	<u><u>(1,424)</u></u>
Attributable to:		
Owners of the Company	(3,125)	315
Non-controlling interests	<u>(422)</u>	<u>(1,739)</u>
	<u><u>(3,547)</u></u>	<u><u>(1,424)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		34,912	33,952
Right-of-use assets		71,952	67,556
Goodwill		–	–
Prepayments, deposits and other receivables		1,989	1,123
Deferred tax assets		1,214	273
		<hr/>	<hr/>
Total non-current assets		110,067	102,904
CURRENT ASSETS			
Inventories		4,162	5,737
Trade receivables	9	8,528	16,729
Prepayments, deposits and other receivables		6,606	4,576
Due from related parties		14	8
Tax recoverable		997	949
Cash and cash equivalents		29,061	65,327
		<hr/>	<hr/>
Total current assets		49,368	93,326
CURRENT LIABILITIES			
Trade payables	10	3,261	5,611
Other payables and accruals		7,857	7,683
Interest-bearing bank borrowings	11	339	2,472
Lease liabilities		3,362	2,283
Tax payable		82	222
		<hr/>	<hr/>
Total current liabilities		14,901	18,271
		<hr/>	<hr/>
NET CURRENT ASSETS		34,467	75,055
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		144,534	177,959
		<hr/>	<hr/>

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>11</i>	3,246	22,617
Other payables and accruals		1,100	–
Lease liabilities		10,796	8,333
Deferred tax liabilities		5,531	5,301
		<hr/>	<hr/>
Total non-current liabilities		20,673	36,251
		<hr/>	<hr/>
Net assets		123,861	141,708
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		14,000	14,000
Reserves		108,352	125,477
		<hr/>	<hr/>
		123,352	139,477
Non-controlling interests		1,509	2,231
		<hr/>	<hr/>
Total equity		123,861	141,708
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO 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, the provision of transportation services and the operation of restaurants. In the opinion of the 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 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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; 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 borrowings as these liabilities are 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 2020 and 2019.

Segment revenue/results:

	Processing and trading of food products		Restaurant operation		Elimination		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Sales to external customers	65,711	131,613	11,095	3,128	-	-	76,806	134,741
Intersegment sales	1,211	282	-	-	(1,211)	(282)	-	-
Total	<u>66,922</u>	<u>131,895</u>	<u>11,095</u>	<u>3,128</u>	<u>(1,211)</u>	<u>(282)</u>	<u>76,806</u>	<u>134,741</u>
Segment results	(7,256)	(7,866)	(733)	(876)	-	-	(7,989)	(8,742)
Interest income							1,054	221
Finance costs (other than interest on leases)							(427)	(632)
Loss before tax							(7,362)	(9,153)
Income tax credit/(expense)							1,206	(188)
Loss for the year							<u>(6,156)</u>	<u>(9,341)</u>

Segment assets/liabilities:

	Processing and trading of food products		Restaurant operation		Elimination		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	121,138	129,269	16,050	4,474	(6,814)	(2,840)	130,374	130,903
Unallocated							29,061	65,327
							159,435	196,230
Segment liabilities	19,456	26,183	19,347	6,090	(6,814)	(2,840)	31,989	29,433
Unallocated							3,585	25,089
							35,574	54,522
Other segment information:								
Depreciation of property, plant and equipment	3,582	6,015	1,231	214	-	-	4,813	6,229
Depreciation of right-of-use assets	4,117	3,506	509	-	-	-	4,626	3,506
Impairment of property, plant and equipment	-	637	-	-	-	-	-	637
Impairment of goodwill	-	2,302	-	-	-	-	-	2,302
Impairment of trade receivables	598	197	-	-	-	-	598	197
Provision for inventories	784	-	-	-	-	-	784	-
Write-off of items of property, plant and equipment	-	4	-	-	-	-	-	4
Gain on disposal of items of property, plant and equipment	(30)	(287)	-	-	-	-	(30)	(287)
Gain on sale and leaseback transaction	-	(976)	-	-	-	-	-	(976)
Additions of property, plant and equipment	92	273	5,474	3,775	-	-	5,566	4,048
Additions of right-of-use assets	-	7,531	6,104	-	-	-	6,104	7,531

(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

	2020	2019
	HK\$'000	HK\$'000
Processing and trading of food products segment		
Customer A	8,888	N/A*
Customer B #	N/A*	35,456
Customer C #	N/A*	24,705
Customer D #	N/A*	12,877

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

4. REVENUE

An analysis of revenue is as follows:

	2020	2019
	HK\$'000	HK\$'000
Revenue from contracts with customers	76,806	134,741

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	Processing and trading of food products		Restaurant operation		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Types of goods or services						
Sales of food products	62,605	127,796	-	-	62,605	127,796
Income from the provision of transportation services	3,106	3,817	-	-	3,106	3,817
Income from the operation of restaurants	-	-	11,095	3,128	11,095	3,128
Total revenue from contracts with customers	65,711	131,613	11,095	3,128	76,806	134,741
Timing of revenue recognition						
Goods transferred at a point in time	62,605	127,796	11,095	3,128	73,700	130,924
Services transferred over time	3,106	3,817	-	-	3,106	3,817
Total revenue from contracts with customers	65,711	131,613	11,095	3,128	76,806	134,741

(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):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories consumed	48,619	90,836
Provision for inventories	784	–
Total cost of inventories consumed	49,403	90,836
Depreciation of property, plant and equipment	4,813	6,229
Depreciation of right-of-use assets	4,626	3,506
Total depreciation	9,439	9,735
Lease payments not included in the measurement of lease liabilities	1,037	520
Other related expenses	900	977
Total rental and related expenses	1,937	1,497
Directors' remuneration	4,900	5,561
Employee benefit expenses (excluding directors' remuneration):		
Salaries, wages and other benefits	12,888	15,167
Pension scheme contributions	455	618
Total employee benefit expenses	18,243	21,346

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration [#]	960	1,136
Impairment of trade receivables [#]	598	197
Impairment of goodwill [#]	–	2,302
Impairment of property, plant and equipment [#]	–	637
Write-off of items of property, plant and equipment [#]	–	4
Gain on sale and leaseback transaction	–	(976)
Gain on disposal of items of property, plant and equipment	(30)	(287)
Bank interest income	(1,054)	(221)

[#] These balances are included in “Other operating expenses, net” in the consolidated statement of profit or loss.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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 effective from the year of assessment 2018/19. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	81	70
Overprovision in prior years	(60)	(60)
Deferred	(1,227)	178
Total tax charge/(credit) for the year	(1,206)	188

7. DIVIDEND

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Third quarter — HK1 cent (2019: Nil) per ordinary share	14,000	–

The board of directors does not recommend a payment of a final dividend for the year ended 31 December 2020 (2019: 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation	<u>(5,734)</u>	<u>(7,602)</u>
	Number of shares	
	2020 <i>'000</i>	2019 <i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>1,400,000</u>	<u>1,400,000</u>
Loss per share		
Basic (HK cent)	<u>(0.41)</u>	<u>(0.54)</u>

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years.

9. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from:		
Third party customers	9,246	16,870
Related companies	<u>133</u>	<u>112</u>
	9,379	16,982
Impairment	<u>(851)</u>	<u>(253)</u>
	<u>8,528</u>	<u>16,729</u>

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 the invoice date and net of loss allowance, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	4,941	10,366
1 to 2 months	1,549	5,317
2 to 3 months	830	914
More than 3 months	1,208	132
	<u>8,528</u>	<u>16,729</u>

10. TRADE PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables to:		
Third party suppliers	3,195	5,303
Related companies	66	308
	<u>3,261</u>	<u>5,611</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	3,257	5,568
1 to 2 months	4	43
	<u>3,261</u>	<u>5,611</u>

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

11. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank overdrafts — unsecured	–	–	–	10 above prime rate	On demand	68
Bank loans — secured	3.00 below prime rate	2021	<u>339</u>	2.75 to 3.00 below prime rate	2020	<u>2,404</u>
			339			2,472
Non-current						
Bank loans — secured	3.00 below prime rate	2022–2030	<u>3,246</u>	2.75 to 3.00 below prime rate	2021–2035	<u>22,617</u>
			<u>3,585</u>			<u>25,089</u>
				2020	2019	
				HK\$'000	HK\$'000	

Analysed into:

Bank loans and overdrafts repayable:

Within one year or on demand	339	2,472
In the second year	347	2,462
In the third and fifth years, inclusive	1,087	7,561
Over five years	1,812	12,594
	<u>3,585</u>	<u>25,089</u>

The Group's bank loans are denominated in Hong Kong dollars and are secured by the mortgages over the Group's leasehold land and buildings, which had an aggregate carrying value of HK\$59,400,000 (2019: HK\$59,000,000).

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, 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 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 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.

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 2020 (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:

	Planned use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of proceeds up to the Review Period (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	0.6
Upgrade of internal management system	0.7	0.6
Working capital and other corporate development	5.1	5.1
	<u>39.9</u>	<u>39.5</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:

	Planned Business objective	Actual Business progress
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 strengthen logistics team	To acquire three more vehicles equipped with refrigeration facilities before the end of 2018	Acquired three vehicles equipped with refrigeration facilities
To enhance internal support	To hire two new staff and set up and oversee human resources department	An administrative assistant was hired to handle administration works In the process of interviewing candidates for the human resource manager

RESULTS AND FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded approximately HK\$76.8 million revenue as compared with last year's corresponding period of approximately HK\$134.7 million, representing a decrease of approximately 43.0%, which was mainly due to the COVID-19 pandemic worldwide, including Hong Kong and China, causing the demand for the goods of the Company to decrease substantially.

Cost of inventories consumed and loss before tax from operations

For the year ended 31 December 2020, the Group's cost of inventories consumed and loss before tax from operations was approximately HK\$49.4 million and HK\$6.7 million respectively, while the cost of inventories consumed and loss before tax from operation in last year's corresponding period was approximately HK\$90.8 million and approximately HK\$8.4 million respectively. The decrease in cost of inventories consumed was in line with the drop in revenue.

Employee benefit expenses

For the year ended 31 December 2020, the Group's employee benefit expenses decreased to approximately HK\$18.2 million from last year's corresponding period's approximately HK\$21.3 million which was attributable to decrease in headcounts.

Income tax credit

For the year ended 31 December 2020, the Group's income tax credit was approximately HK\$1.2 million while the income tax expense for last year was HK\$0.2 million. The decrease in income tax expense was due to the recognition of deferred tax assets.

Loss for the year

Based on the above reasons, for the year ended 31 December 2020, the Group recorded a net loss for the period of approximately HK\$6.2 million versus approximately HK\$9.3 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 2020.

Liquidity and financial resources

As at 31 December 2020, the Group had net current assets of approximately HK\$34.5 million (2019: HK\$75.1 million), of which cash at bank consisted of approximately HK\$29.1 million (2019: approximately HK\$65.3 million). The Group had bank borrowings amounted to approximately HK\$3.6 million (2019: approximately HK\$25.1 million).

Gearing ratio

As at 31 December 2020, the Group's gearing ratio was approximately 0.03 (2019: 0.18), which is calculated based on the Group's bank loans of approximately HK\$3.6 million (2019: HK\$25.1 million) and the Group's total equity of approximately HK\$123.9 million (2019: HK\$141.7 million).

Capital structure

As at 31 December 2020, 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 2020, the Group's leasehold land and buildings held for own use with a net carrying amount of approximately HK\$59.4 million (2019: HK\$59.0 million) have been pledged to secure banking facilities granted to the Group.

Currency risk

As at 31 December 2020, 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 2020, the Group did not have any material capital commitments (31 December 2019: Nil).

Contingent liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil).

Event after report date

There were no significant events occurring after the year ended 31 December 2020.

Material acquisitions and disposals of subsidiaries and affiliated companies

As at 31 December 2020, 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 precedent 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 2020, approximately HK\$22.0 million had been used to repay certain bank borrowings, approximately HK\$12.7 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 2020, 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 2020 except for the following relation:

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 2020.

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 2020 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, 23 March 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 of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, 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.