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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 2017**

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

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

Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 2017, together with the comparative results for the previous year:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
REVENUE	4	132,934	133,578
Cost of inventories consumed		(89,019)	(88,175)
Other income		1,461	1,624
Employee benefit expenses		(19,693)	(17,903)
Depreciation		(4,882)	(4,667)
Transportation and storage fee		(3,368)	(3,297)
Utilities and consumables		(2,718)	(3,000)
Rental and related expenses		(1,291)	(1,223)
Listing expenses		(11,590)	(4,502)
Other operating expenses		(7,371)	(4,635)
PROFIT/(LOSS) BEFORE TAX FROM OPERATIONS		(5,537)	7,800
Finance costs		(796)	(1,112)
PROFIT/(LOSS) BEFORE TAX	6	(6,333)	6,688
Income tax expense	7	(1,490)	(1,985)
PROFIT/(LOSS) FOR THE YEAR		(7,823)	4,703
Attributable to:			
Owners of the Company		(7,534)	4,633
Non-controlling interests		(289)	70
		(7,823)	4,703
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
— Basic and diluted (expressed in HK cents per share)	8	(0.60)	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>(7,823)</u>	<u>4,703</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:		
Revaluation surplus	14,114	150
Deferred tax debited to asset revaluation reserve	<u>(2,329)</u>	<u>(24)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>11,785</u>	<u>126</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>3,962</u></u>	<u><u>4,829</u></u>
Attributable to:		
Owners of the Company	4,251	4,759
Non-controlling interests	<u>(289)</u>	<u>70</u>
	<u><u>3,962</u></u>	<u><u>4,829</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		115,785	75,190
Goodwill		2,302	2,302
Prepayments		2,394	–
Due from a related party		–	100
		<hr/>	<hr/>
Total non-current assets		120,481	77,592
CURRENT ASSETS			
Inventories		4,141	3,743
Trade receivables	9	18,264	17,920
Prepayments, deposits and other receivables		2,396	2,482
Due from related parties		192	207
Tax recoverable		617	23
Cash and cash equivalents		24,620	11,329
		<hr/>	<hr/>
Total current assets		50,230	35,704
CURRENT LIABILITIES			
Trade payables	10	6,732	5,793
Other payables and accruals		3,714	2,741
Due to related parties		168	213
Interest-bearing bank borrowings	11	1,863	28,294
Tax payable		116	184
		<hr/>	<hr/>
Total current liabilities		12,593	37,225
NET CURRENT ASSETS/(LIABILITIES)		37,637	(1,521)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		158,118	76,071
NON-CURRENT LIABILITIES			
Deferred tax liabilities		8,772	6,708
Interest-bearing bank borrowings	11	22,393	–
		<hr/>	<hr/>
Total non-current liabilities		31,165	6,708
Net assets		126,953	69,363
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	14,000	32,230
Reserves		108,997	32,888
		<hr/>	<hr/>
		122,997	65,118
Non-controlling interests		3,956	4,245
		<hr/>	<hr/>
Total equity		126,953	69,363
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND REORGANISATION

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.

Pursuant to the group reorganisation completed on 10 February 2017 (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the ordinary shares with a nominal value of HK\$0.01 each in the share capital of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the direct/indirect holding company of the subsidiaries now comprising the Group on 10 February 2017. Details of the Reorganisation were set out in the section headed "History, Reorganisation and Group Structure" in the prospectus dated 19 June 2017 (the "Prospectus") issued by the Company. The shares of the Company were listed on the GEM by way of share offer (the "Listing") on 30 June 2017 (the "Listing Date").

As the Reorganisation only involved inserting new holding entities at the top of an existing company and has not resulted in any change of economic substances, the consolidated financial statements have been presented as a continuation of the existing company using the pooling of interest method. Accordingly, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the entire periods presented. The consolidated statements of financial position as at 31 December 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at the respective dates.

The Company has not carried on any business since the date of its incorporation, save for the transaction relating to the Reorganisation, and is an investment holding company. The Group is principally engaged in the processing and trading of raw, frozen and cooked food products and provision of transportation services. In the opinion of the directors, the ultimate holding company of the Company was Keyview Ventures Limited ("Keyview Ventures"), a company incorporated in the British Virgin Islands with limited liability.

2 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, 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 property, plant and equipment, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

As explained below, the adoption of the above revised standards has had no significant financial effect on these financial statements.

The nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group did not have subsidiaries classified as a disposal group held for sale as at 31 December 2017.

4. REVENUE

Revenue represents the invoiced value of goods sold, after allowances for returns and trade discounts to customers, and income from provision of transportation services.

An analysis of revenue is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Wholesale of processed raw food	110,366	109,802
Wholesale of processed cooked food	15,871	17,527
Internet sales and trading of food products	3,235	2,823
Income from provision of transportation services	3,462	3,426
	132,934	133,578

5. SEGMENT INFORMATION

The Group is principally engaged in processing and trading of raw, frozen and cooked food products and provision of transportation services. For management purpose, the Group operates in one business unit based on its products and the nature of production, sales and distribution processes, and has one reportable operating segment which is processing and trading of food products.

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.

Information about major customers

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A #	45,067	44,325
Customer B #	23,615	23,230
Customer C #	23,011	22,910

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

6. PROFIT/(LOSS) BEFORE TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of inventories consumed	89,019	88,175
Depreciation	4,882	4,667
Minimum lease payments under operating leases	600	600
Other related expenses	691	623
Rental and related expenses	1,291	1,223
Directors' remuneration	4,464	4,108
Employee benefit expenses (excluding directors' remuneration):		
Salaries, wages and other benefits	14,601	13,212
Pension scheme contributions	628	583
Total employee benefit expenses	19,693	17,903
Listing expenses	11,590	4,502
Auditor's remuneration	990	460
Write-off of items of property, plant and equipment	32	23
Loss on disposal of items of property, plant and equipment	–	100
Bank interest income	(82)	(31)

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	1,825	2,421
Overprovision in prior years	(70)	(190)
Deferred	(265)	(246)
Total tax charge for the year	1,490	1,985

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	<u>(7,534)</u>	<u>4,633</u>
	Number of shares	
	2017 <i>'000</i>	2016 <i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	<u>1,261,918</u>	<u>1,120,000</u>
Earnings/(loss) per share		
Basic (HK cents)	<u>(0.60)</u>	<u>0.41</u>

In determining the weighted average number of ordinary shares in issue, a total of 1,120,000,000 ordinary shares of the Company issued pursuant to the Reorganisation were deemed to have been issued since 1 January 2016.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years.

9. TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables from:		
Third party customers	14,253	12,658
Related companies	<u>4,011</u>	<u>5,262</u>
	<u>18,264</u>	<u>17,920</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to two months for major customers. 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 that are not individually nor collectively considered to be impaired is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Neither past due nor impaired	17,587	16,053
Less than 1 month past due	676	1,698
1 to 3 months past due	<u>1</u>	<u>169</u>
	<u>18,264</u>	<u>17,920</u>

10. TRADE PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables to:		
Third party suppliers	5,507	4,486
Related companies	<u>1,225</u>	<u>1,307</u>
	<u>6,732</u>	<u>5,793</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 month	<u>6,732</u>	<u>5,793</u>

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

11. INTEREST-BEARING BANK BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans — secured	1.25 to 1.75 below prime rate	2018	1,863	1.25 to 1.75 below prime rate	On demand	28,294
Non-current						
Bank loans — secured	1.25 to 1.75 below prime rate	2019 – 2035	22,393	–	–	–
			24,256			28,294

12. SHARE CAPITAL

The share capital balance as at 31 December 2017 in the consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	As at 31 December 2017 HK\$'000
Authorised:	
10,000,000,000 ordinary shares of HK\$0.01 each (<i>note c</i>)	100,000
Issued and fully paid:	
1,400,000,000 ordinary shares of HK\$0.01 each	14,000

A summary of movements in the Company's share capital is as follows:

	Number of shares	Share capital HK\$'000
Issued and fully paid		
Allotted and issued at nil paid on 3 January 2017 (<i>note a</i>)	1	–
Issuance of new shares upon the Reorganisation (<i>note b</i>)	28,429	–
Issuance of new shares upon capitalisation issue (<i>note d</i>)	1,119,971,570	11,200
Issuance of new shares in connection with share offer of the Company (the “Share Offer”) (<i>note e</i>)	<u>280,000,000</u>	<u>2,800</u>
At 31 December 2017	<u>1,400,000,000</u>	<u>14,000</u>

Notes:

- (a) Upon incorporation on 3 January 2017, the Company had authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same day, one ordinary share was issued, allotted and credited as fully paid to the Company's initial subscriber, which was subsequently transferred to Keyview Ventures, the ultimate holding company of the Company.
- (b) On 10 February 2017, as part of the Reorganisation, the Company allotted and issued in aggregate 28,429 shares credited as fully paid to Keyview Ventures in consideration of the controlling shareholders of the Group transferring in aggregate 28,429,000 ordinary "A" shares in Winning Tower Group Limited ("Winning Tower Group"), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary, (representing the entire issued share capital of Winning Tower Group) to Bliss View Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company, at a total consideration of HK\$68,963,000. Differences of HK\$36,733,000 between the nominal amount of shares issued by the Company of HK\$68,963,000 and the share capital of a subsidiary of HK\$32,230,000 were debited to merger reserve.
- (c) On 5 June 2017, Keyview Ventures resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 ordinary shares, each carrying the same rights as the ordinary shares then in issue in all respects.
- (d) In connection with the Reorganisation and pursuant to a resolution passed in a meeting of the directors of the Company on 5 June 2017, the issue of 1,119,971,570 ordinary shares has been made upon capitalisation of part of the amount standing to the credit of the share premium of HK\$11,200,000.
- (e) In connection with the Share Offer, an aggregate of 280,000,000 new ordinary shares of the Company of HK\$0.01 each were issued at a price of HK\$0.2 per share for a total cash consideration, before share issue costs, of HK\$56,000,000. Further details of the Share Offer are also set out in the Prospectus or in an announcement of the Company dated 19 June 2017.

All the shares which were issued by the Company during the period rank *pari passu* with other shares of the Company in all aspects.

Share capital as at 31 December 2016 represented the share capital of a subsidiary of the Company.

13. DIVIDENDS

No dividend has been paid or declared by the Company during the period from its incorporation date to 31 December 2017.

Dividend of HK\$10,000,000 declared during the year ended 31 December 2016 represented dividend declared by a subsidiary of the Company, to its then shareholders. This dividend was settled by way of offsetting its then outstanding loans due to the then shareholders of HK\$8,800,000, and with the remaining balance of HK\$1,200,000 being settled by cash.

The rates for dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this announcement.

The board of directors does not recommend a payment of a final dividend for the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in processing and trading of raw, frozen and cooked food products and provision of transportation services in Hong Kong.

On 30 June 2017, the Company was successfully listed on the GEM of 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.

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 2017 (the “**Review Period**”), the net proceeds raised from Listing as disclosed in the Prospectus have been applied as follows:

	Planned use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of proceeds during the Review Period (HK\$ million)
Acquisition of new factory premises	22.0	22.0
Renovation of new premises as refrigeration facility	8.8	2.3
Strengthening Group’s logistics team	2.4	–
Setting up human resources department	0.9	0.1
Upgrade of internal management system	0.7	0.1
Working capital and other corporate development	5.1	–
	<u>39.9</u>	<u>24.5</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 broader our customer base into more restaurants and hotels	Commenced research and development discussions 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 2 premises and started renovation on one of the premises
To strengthen logistics team	To acquire three more vehicles equipped with refrigeration facilities before the end of 2018	Plan to order in the first half of 2018
To enhance internal support	To hire two new staff and set up and oversee human resources department	One new staff was employed as administrative assistant to handle administration work In the process of interviewing candidates for the human resource manager

RESULTS AND FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group recorded approximately HK\$133 million revenue as compared with last year's corresponding period of approximately HK\$134 million, representing a decrease of approximately 0.7%. The decrease was mainly due to the change in customers' preference choosing food of lower price.

Cost of inventories consumed and loss before tax

For the year ended 31 December 2017, the Group's cost of inventories consumed and loss before tax from operations was approximately HK\$89.0 million and HK\$5.5 million respectively, while the cost of inventories consumed and profit before tax in last year's corresponding period was approximately HK\$88.2 million and approximately HK\$7.8 million respectively. The increase in cost of inventories consumed was mainly due to the increase of food cost while the loss before tax from operations was mainly due to the non-recurring listing expenses incurred for the Listing on 30 June 2017.

Employee benefit expenses

For the year ended 31 December 2017, the Group's employee benefit expenses increased to approximately HK\$19.7 million from last year's corresponding period's approximately HK\$17.9 million which was attributable to increase in wages.

Income tax expense

For the year ended 31 December 2017, the Group's income tax expense was approximately HK\$1.5 million which was lower than last year's corresponding period's approximately HK\$2.0 million. The decrease in tax expense was due to lower revenue and higher tax deductible expenses for the period.

Loss for the year

Based on the above reasons, for the year ended 31 December 2017, the Group recorded a net loss for the period of approximately HK\$7.8 million versus a net profit of approximately HK\$4.7 million of last year's corresponding period.

FUTURE PROSPECTS AND DEVELOPMENT

The Group has commenced research and development discussion on new products with potential and existing customers. The Group has acquired 2 new premises and renovation works are expected to be completed by second quarter of 2018. The Group also plan to acquire three more vehicles equipped with refrigeration facilities during the first half of 2018. These will allow us to increase the Group's production capacity.

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, 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 2017.

Liquidity and financial resources

As at 31 December 2017, the Group had net current assets of approximately HK\$37.6 million (2016: net current liabilities approximately HK\$1.5 million), of which cash at bank consisted of approximately HK\$24.6 million (2016: approximately HK\$11.3 million). The increase in cash was due to the Listing on 30 June 2017 that a net proceeds of approximately HK\$39.9 million was successfully raised but yet fully utilised. The Group had bank borrowings amounted to approximately HK\$24.3 million (31 December 2016: approximately HK\$28.3 million).

Gearing ratio

As at 31 December 2017, the Group's gearing ratio was approximately 19.1% (2016: 40.8%), which is calculated based on the Group's total interest-bearing debt of approximately HK\$24.3 million (2016: HK\$28.3 million) and the Group's total equity of approximately HK\$127.0 million (31 December 2016: HK\$69.4 million).

Capital structure

As at 31 December 2017, 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 on 30 June 2017.

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 2017, the Group's leasehold land and buildings held for own use with a net carrying amount of approximately HK\$92.8 million have been pledged to secure banking facilities granted to the Group.

Currency risk

As at 31 December 2017, 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 2017, the Group had material capital commitments of approximately HK\$2.1 million (31 December 2016: HK\$0.7 million).

Contingent liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities (31 December 2016: nil).

Event after report date

There were no significant events occurring after the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2017, save as disclosed in the Prospectus, 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 Audit Committee comprises three independent non-executive Directors, Mr. Lo Sun Tong, Mr. Chau Chun Wai and Mr. Lam Lai Kiu Kelvin. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed with the management, the risk management, internal control and financial reporting matters of the Company, including the review of the Group's consolidated financial results for the year ended 31 December 2017.

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 Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules"). 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 period from the Listing Date to 31 December 2017.

REVIEW OF ANNUAL RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 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, 22 March 2018

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. Chow Kuen Chung and Ms. Ho Lai Sze Jacqueline; 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.