

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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2019

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.

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

UNAUDITED FIRST QUARTER RESULTS

The board of directors (the “Board”) of Winning Tower Group Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2019, together with the unaudited comparative figures for the corresponding periods in 2018, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2019

		Three months ended	
		31 March	
		2019	2018
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	34,386	35,270
Cost of inventories consumed		(22,810)	(22,621)
Other income		668	528
Employee benefit expenses		(5,066)	(5,223)
Depreciation		(2,198)	(1,653)
Transportation and storage fee		(1,084)	(770)
Utilities and consumables		(684)	(627)
Rental and related expenses		(424)	(368)
Other operating expenses		(2,097)	(1,791)
PROFIT BEFORE TAX FROM OPERATIONS		691	2,745
Finance costs		(162)	(134)
PROFIT BEFORE TAX	5	529	2,611
Income tax expense	6	(379)	(567)
PROFIT FOR THE PERIOD		150	2,044
Attributable to:			
Owners of the Company		117	2,017
Non-controlling interests		33	27
		150	2,044
Earnings per share attributable to the owners of the Company			
— Basic and diluted (expressed in HK cents per share)	8	0.01	0.14

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	Three months ended	
	31 March	
	2019	2018
	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>150</u>	<u>2,044</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) not to be reclassified to the profit or loss in subsequent periods:		
Revaluation surplus	867	781
Deferred tax debited to asset revaluation reserve	<u>(143)</u>	<u>(129)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>724</u>	<u>652</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>874</u></u>	<u><u>2,696</u></u>
Attributable to:		
Owners of the Company	841	2,669
Non-controlling interests	<u>33</u>	<u>27</u>
	<u><u>874</u></u>	<u><u>2,696</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2019

	Attributable to owners of the Company							Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits/ (Accumulated loss) HK\$'000	Total HK\$'000		
At 1 January 2019 (Audited)	14,000	103,491	(36,733)	5,100	56,660	(3,356)	139,162	3,970	143,132
Profit for the period	-	-	-	-	-	117	117	33	150
Other comprehensive income/(expense) for the period:									
Revaluation surplus	-	-	-	-	867	-	867	-	867
Deferred tax debited to asset revaluation reserve	-	-	-	-	(143)	-	(143)	-	(143)
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Total comprehensive income for the period	-	-	-	-	724	117	841	33	874
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Issuance of shares and effects of group reorganisation	-	-	-	-	-	-	-	-	-
Issue of new shares upon capitalisation issue	-	-	-	-	-	-	-	-	-
Issue of new shares in connection with the share offer	-	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-	-
Contributions from shareholders	-	-	-	-	-	-	-	-	-
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At 31 March 2019 (Unaudited)	<u>14,000</u>	<u>103,491</u>	<u>(36,733)</u>	<u>5,100</u>	<u>57,384</u>	<u>(3,239)</u>	<u>140,003</u>	<u>4,003</u>	<u>144,006</u>

Attributable to owners of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(note a)</i>	Capital reserve <i>HK\$'000</i> <i>(note b)</i>	Asset revaluation reserve <i>HK\$'000</i>	Retained profits/ (Accumulated loss) <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2018 (Audited)	14,000	103,491	(36,733)	5,100	44,050	(6,911)	122,997	3,956	126,953
Profit for the period	-	-	-	-	-	2,017	2,017	27	2,044
Other comprehensive income/ (expense) for the period:									
Revaluation surplus	-	-	-	-	781	-	781	-	781
Deferred tax debited to asset revaluation reserve	-	-	-	-	(129)	-	(129)	-	(129)
Total comprehensive income for the period	-	-	-	-	652	2,017	2,669	27	2,696
Issuance of shares and effects of group reorganisation	-	-	-	-	-	-	-	-	-
Issue of new shares upon capitalisation issue	-	-	-	-	-	-	-	-	-
Issue of new shares in connection with the share offer	-	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-	-
Contributions from shareholders	-	-	-	-	-	-	-	-	-
At 31 March 2018 (Unaudited)	<u>14,000</u>	<u>103,491</u>	<u>(36,733)</u>	<u>5,100</u>	<u>44,702</u>	<u>(4,894)</u>	<u>125,666</u>	<u>3,983</u>	<u>129,649</u>

NOTES TO THE CONDENSED CONSOLIDATED 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.

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 and the provision of transportation services. 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.

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

The condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

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

The condensed consolidated financial information have been prepared under the historical cost convention, except for the leasehold land and building that are measured at fair value.

The condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should read in conjunction with the Group's financial information included in the Prospectus and the annual report for the year ended 31 December 2018.

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited condensed consolidated financial information for the three months ended 31 March 2019 are consistent with those followed in the preparation of the Group's financial information for the year ended 31 December 2018, except that, in the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2019.

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

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:

	Three months ended 31 March	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Wholesale of processed raw food	28,885	29,001
Wholesale of processed cooked food	3,438	4,439
Internet sales and trading of food products	1,064	859
Income from provision of transportation services	999	971
	<u>34,386</u>	<u>35,270</u>

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Three months ended 31 March	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Cost of inventories consumed	22,810	22,621
Depreciation	2,198	1,653
Minimum lease payments under operating leases	195	150
Other related expenses	229	218
	<u>424</u>	<u>368</u>
Rental and related expenses		368
Employee benefit expenses	5,066	5,223

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period ended 31 March 2019.

	Three months ended 31 March	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current — Hong Kong		
Charge for the period	344	580
Deferred	35	(13)
	<u>379</u>	<u>567</u>
Total tax charge for the period		

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2019.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Three months ended 31 March	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	<u>117</u>	<u>2,017</u>
	Number of shares Three months ended 31 March	
	2019	2018
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of shares in issue used in the basic earnings per share calculation	<u>1,400,000</u>	<u>1,400,000</u>
Earnings per share:		
Basic (HK cents)	<u>0.01</u>	<u>0.14</u>

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 31 March 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 8 May 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2019, the Group recorded approximately HK\$34.4 million revenue as compared with last year's corresponding period of approximately HK\$35.3 million, representing a decrease of approximately 2.5%. The decrease was due to the decrease in sales of raw, frozen and cooked food products and a change of customers' preference as a result of the outbreak of swine flu in China, leading to a change of product mix from pork to chicken where the selling price per kilogram of our chicken products are lower than pork products.

Cost of inventories and profit before tax

For the three months ended 31 March 2019, the Group's cost of inventories consumed was approximately HK\$22.8 million, representing an increase of approximately HK\$0.2 million or 0.9% compared with last year's corresponding period. A profit before tax of approximately HK\$0.7 million was registered compared with last year's corresponding period of approximately HK\$2.7 million. The increase in cost of inventories consumed was due to a change of customers' preference as a result of the outbreak of swine flu in China, leading to a change of product mix from pork to chicken, lowering the gross profit margin.

Employee benefit expenses

For the three months ended 31 March 2019, the Group's employee benefit expenses decreased to approximately HK\$5.1 million from last year's corresponding period's approximately HK\$5.2 million which was attributable to decrease in headcount.

Income tax expense

For the three months ended 31 March 2019, the Group's income tax expense was approximately HK\$0.4 million compared with last year's corresponding period's approximately HK\$0.6 million. The decrease in tax expense was due to higher tax deductible expenses.

Profit for the period

Due to the increasing of cost of inventories and operating expenses, for the three months ended 31 March 2019, the Group recorded a net profit for the period of approximately HK\$0.2 million versus approximately HK\$2.0 million of last year's corresponding period.

OTHER INFORMATION

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

As at 31 March 2019, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Shares of associated corporations of the Company

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

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 31 March 2019, other than the director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

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

Save as disclosed above, as at 31 March 2019, no other persons had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the three months ended 31 March 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the current financial year and up to 31 March 2019.

COMPETING INTERESTS

As at 31 March 2019, none of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As at 31 March 2019, neither Kingsway Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of GEM Listing Rules.

CORPORATE GOVERNANCE

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

To the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code throughout the current financial year and up to 31 March 2019.

AUDIT COMMITTEE

The Company has established an audit committee with the written terms of reference in compliance with the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Lo Sun Tong (chairperson), Mr. Chau Chun Wai and Mr. Lam Lai Kiu Kelvin. The audit committee has reviewed this announcement and are in the opinion that such report has complied with the applicable accounting standards and adequate disclosures have been made.

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

Hong Kong, 8 May 2019

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 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.