

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

2023 THIRD QUARTERLY REPORT

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 the 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Winning Tower Group Holdings Limited (the “Company”) and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report 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 report misleading and all opinions expressed in the report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lai King Wah
Mr. Lai Ho Yin Eldon
Mr. Ho Timothy Kin Wah

Non-executive Directors

Mr. Yu Ting Hei
Mr. Wong Wang Leong
Ms. Ou Honglian

Independent Non-executive Directors

Mr. Chau Chun Wai
Mr. Lo Sun Tong
Mr. Lam Lai Kiu Kelvin

AUDIT COMMITTEE

Mr. Lo Sun Tong
Mr. Chau Chun Wai
Mr. Lam Lai Kiu Kelvin

NOMINATION COMMITTEE

Mr. Lai King Wah
Mr. Chau Chun Wai
Mr. Lo Sun Tong

REMUNERATION COMMITTEE

Mr. Chau Chun Wai
Mr. Lo Sun Tong
Mr. Lai King Wah

COMPLIANCE OFFICER

Mr. Ho Timothy Kin Wah

COMPANY SECRETARY

Mr. Tsang Hing Bun

AUTHORISED REPRESENTATIVES

Mr. Lai Ho Yin Eldon
Mr. Tsang Hing Bun

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 803, 8/F
Riley House
88 Lei Muk Road
Kwai Chung
New Territories
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road
Hong Kong

PRINCIPAL BANKER

Shanghai Commercial Bank Limited

COMPANY'S WEBSITE

www.wtgi.hk

STOCK CODE

8362

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

On 24 May 2019, Winning Tower Group Limited (“**Winning Tower Group**”), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement with Wing Si Worldwide Holdings Limited (“**Wing Si**”) pursuant to which Winning Tower Group is interested as to 55% and Wing Si is interested as to 45% of a joint venture (the “**Joint Venture**”), which is the vehicle for their participation in catering and food business in Hong Kong. For details, please refer to the announcement of the Company dated 24 May 2019.

For the nine months ended 30 September 2023, revenue from the Joint Venture recorded approximately HK\$13.6 million, which was flat compared with last year’s corresponding period.

On 2 June 2021 (after trading hours), a joint venture agreement (the “**Joint Venture Agreement**”) was entered into between Winning Tower Group, Skyye Limited (“**Skyye**”) and Dynasty Time Limited (the “**Joint Venture**”), pursuant to which, among others: (i) the Joint Venture shall act as a corporate vehicle for the joint participation of Winning Tower Group and Skyye in the catering and food business in Hong Kong. The Joint Venture was incorporated in Hong Kong with limited liability on 1 April 2021 and is currently owned as to 60% by Winning Tower Group and as to 40% by Skyye, respectively; and (ii) Winning Tower Group and Skyye conditionally agreed to provide an initial funding to the Joint Venture by way of loan at HK\$3,000,000 for the purpose of setting up the first Joint Venture’s restaurant in Hong Kong, while the respective amount contributed by each of Winning Tower Group and Skyye shall be in proportion to their respective shareholdings in the Joint Venture at HK\$1,800,000 and HK\$1,200,000, respectively. On 10 May 2021, the Joint Venture entered into a tenancy agreement (the “**Tenancy Agreement**”) as tenant in respect of the lease of a Premises for a term of three years commencing from 15 May 2021 and expiring on 14 May 2024 (both days inclusive) for the operation of the first Joint Venture’s restaurant in Hong Kong under the Joint Venture Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the Joint Venture Agreement, the Group will be the main supplier of all food and beverage ingredients for all the restaurant(s) of the Joint Venture, save for certain exceptions stipulated in the Joint Venture Agreement. Being the main supplier to the Joint Venture, our Directors consider that the future sales and revenue of the Group will be strengthened. The Directors are of the view that the entering into of the Tenancy Agreement and the terms and conditions thereof are fair and reasonable and in the interests of the Company and the shareholders of the Company (the “Shareholders”) as a whole.

More details regarding the transactions mentioned above can be found in the announcement of the Company dated 2 June 2021.

The Group will continue to adopt a pragmatic and positive approach to develop the business to enhance the profitability of the Group and interests of the Shareholders.

FINANCIAL REVIEW

Revenue

For the nine months ended 30 September 2023, the Group recorded approximately HK\$78.8 million revenue as compared with last year’s corresponding period of approximately HK\$82.5 million, representing a decrease of approximately 4.5%. Of which, approximately HK\$56.8 million was contributed from processing and trading of food products (which includes provision of transportation services) (2022: HK\$63.7 million) and income from restaurant operation improved to approximately HK\$22.0 million (2022: HK\$18.8 million).

Cost of inventories and loss before tax

For the nine months ended 30 September 2023, the Group’s cost of inventories consumed and loss before tax from operations was approximately HK\$42.2 million and HK\$3.4 million respectively, where the cost of inventories consumed in last year’s corresponding period was approximately HK\$52.3 million and the Group recorded a loss before tax of approximately HK\$7.2 million. The decrease in cost of inventories consumed was in line with the decrease in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Employee benefit expenses

For the nine months ended 30 September 2023, the Group's employee benefit expenses increased to approximately HK\$20.1 million from last year's corresponding period's approximately HK\$19.4 million which was mainly attributable to the staff salary increment.

Income tax credit/(expense)

For the nine months ended 30 September 2023, no income tax credit/(expense) was recorded compared with last year's corresponding period's approximately income tax credit was HK\$0.1 million. It was due to no deferred tax asset/(liability) movement in the reporting period.

Loss for the period

Although based on the above reasons, for the nine months ended 30 September 2023, the Group recorded a net loss for the period of approximately HK\$3.8 million versus approximately HK\$7.5 million of last year's corresponding period.

Dividend

The Board does not declare any dividend for nine months ended 30 September 2023 (2022: Nil).

OTHER INFORMATION

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

As at 30 September 2023, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") are as follows:

Shares of associated corporations of the Company

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

Save as disclosed above, as at 30 September 2023, 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 into 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.

OTHER INFORMATION

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

So far as the Directors are aware, as at 30 September 2023, 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	Capacity/ Nature	Number of shares	Percentage to the issued share capital of the Company
Keyview Ventures Limited	Beneficial Owner	1,050,000,000	75%

Save as disclosed above, as at 30 September 2023, 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 nine months ended 30 September 2023 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.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout period under review.

COMPETING INTERESTS

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

As at 30 September 2023, none of the Directors, the substantial Shareholders and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules. To the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code throughout the period under review except as below:

Company secretary

The Board had appointed Mr. Tsang Hing Bun (“Mr. Tsang”) as the company secretary (the “Company Secretary”) and an authorized representative of the Company on 5 June 2017. From 1 August 2018, Mr. Tsang ceased to be an employee of the Company as required under code provision F.1.1 of the CG Code, the Company has assigned Mr. Lai Ho Yin Eldon, the executive Director, as the contact person with Mr. Tsang. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Tsang through the contact person assigned. Hence, all Directors are still considered to have access to the advice and services of the Company Secretary in light of the above arrangement in accordance with code provision F.1.4 of the CG Code. Having in place a mechanism that Mr. Tsang will be informed of the Group’s development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Tsang as the Company Secretary is beneficial to the Group’s compliance with the relevant board procedures, applicable laws, rules and regulations. For the reporting period, Mr. Tsang has duly complied with the relevant professional training requirement under Rule 5.15 of the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with the written terms of reference in compliance with the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Lo Sun Tong (chairperson), Mr. Chau Chun Wai and Mr. Lam Lai Kiu Kelvin. The audit committee has reviewed this report 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, 9 November 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023

The board of directors of the Company presents the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2023, together with the unaudited comparative figures for the corresponding periods in 2022, are as follows:

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
REVENUE	5	26,778	26,422	78,808	82,523
Cost of inventories consumed		(13,950)	(15,397)	(42,242)	(52,259)
Other income		123	2,091	393	5,000
Employee benefit expenses		(6,637)	(6,847)	(20,143)	(19,432)
Depreciation		(1,995)	(2,798)	(5,971)	(8,403)
Transportation and storage fee		(499)	(450)	(1,546)	(1,411)
Utilities and consumables		(1,387)	(1,488)	(4,068)	(3,755)
Rental and related expenses		(360)	(290)	(1,079)	(950)
Other operating expenses		(2,530)	(2,827)	(7,577)	(8,479)
LOSS BEFORE TAX FROM OPERATIONS		(457)	(1,584)	(3,425)	(7,166)
Finance costs		(108)	(133)	(337)	(427)
LOSS BEFORE TAX	6	(565)	(1,717)	(3,762)	(7,593)
Income tax credit	7	-	49	-	120
LOSS FOR THE PERIOD		(565)	(1,668)	(3,762)	(7,473)
Attributable to:					
Owners of the Company		(655)	(1,297)	(3,607)	(6,498)
Non-controlling interests		90	(371)	(155)	(975)
		(565)	(1,668)	(3,762)	(7,473)
Loss per share attributable to the owners of the Company					
– Basic and diluted (expressed in HK cents per share)	9	(0.05)	(0.09)	(0.26)	(0.46)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
LOSS FOR THE PERIOD	(565)	(1,668)	(3,762)	(7,473)
OTHER COMPREHENSIVE INCOME				
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:				
Revaluation surplus	775	798	2,325	2,394
Deferred tax debited to asset revaluation reserve	(128)	(132)	(384)	(395)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	647	666	1,941	1,999
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	82	(1,002)	(1,821)	(5,474)
Attributable to:				
Owners of the Company	(8)	(631)	(1,666)	(4,499)
Non-controlling interests	90	(371)	(155)	(975)
	82	(1,002)	(1,821)	(5,474)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 SEPTEMBER 2023

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Asset		Total HK\$'000	Non-controlling interests HK\$'000	
					revaluation reserve HK\$'000	Accumulated loss HK\$'000			
At 1 January 2023 (Audited)	14,000	103,491*	(36,733)*	5,100*	32,088*	(22,601)*	95,345	(5,469)	89,876
Loss for the period	-	-	-	-	-	(3,607)	(3,607)	(155)	(3,762)
Other comprehensive income/ (loss) for the period:									
Revaluation surplus, net	-	-	-	-	2,325	-	2,325	-	2,325
Deferred tax debited to asset revaluation reserve	-	-	-	-	(384)	-	(384)	-	(384)
Total comprehensive income/ (loss) for the period	-	-	-	-	1,941	(3,607)	(1,666)	(155)	(1,821)
At 30 September 2023 (Unaudited)	14,000	103,491*	(36,733)*	5,100*	34,029*	(26,208)*	93,679	(5,624)	88,055

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 SEPTEMBER 2022

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Asset revaluation reserve	Accumulated loss	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022 (Audited)	14,000	103,491	(36,733)	5,100	34,015	(13,021)	106,852	(1,486)	105,366
Loss for the period	-	-	-	-	-	(6,498)	(6,498)	(975)	(7,473)
Other comprehensive income/(loss) for the period:									
Revaluation surplus, net	-	-	-	-	2,394	-	2,394	-	2,394
Deferred tax debited to asset revaluation reserve	-	-	-	-	(395)	-	(395)	-	(395)
Total comprehensive income/(loss) for the period	-	-	-	-	1,999	(6,498)	(4,499)	(975)	(5,474)
At 30 September 2022 (Unaudited)	14,000	103,491	(36,733)	5,100	36,014	(19,519)	102,353	(2,461)	99,892

* These reserve accounts comprise the consolidated reserves of HK\$79,679,000 (31 December 2022: HK\$81,345,000) in the condensed consolidated statements of financial position as at 30 September 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Flat 3, 8/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The Principal activity of the Company is investment holding. The Group is principally engaged in the processing and trading of raw, frozen and cooked food products (which includes the provision of transportation services) and the operation of restaurants. In the opinion of the Company's directors, the ultimate holding company of the Company was Keyview Ventures Limited ("**Keyview Ventures**"), a company incorporated in the British Virgin Islands with limited liability.

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

The condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

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

The condensed consolidated financial information have been prepared under the historical cost convention, except for leasehold land and buildings held for the Group's own use classified as right-of-use assets and property, plant and equipment, respectively, which have been measured at fair value.

The condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should read in conjunction with the Group's financial information included in the Prospectus and the annual report for the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's financial information for the year ended 31 December 2022 except for the application of the 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 2023.

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

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) processing and trading of food products (which includes the transportation services); and
- (b) restaurant operation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income and non-lease-related finance costs are excluded from such measurement.

Segment assets exclude cash and cash equivalents as these assets are managed on group basis.

Segment liabilities exclude interest-bearing bank borrowing as the liability is 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (CONTINUED)

(a) Operating segment information

The following tables present revenue and loss for the Group's operating segments for the nine months ended 30 September 2023 and 2022.

Segments	Processing and trading of food products (which includes the transportation services)		Restaurant operation		Total	
	Unaudited		Unaudited		Unaudited	
	Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (note 5)						
Sales to external customers	56,779	63,675	22,029	18,848	78,808	82,523
Intersegment sales	1,717	1,948	-	-	1,717	1,948
	58,496	65,623	22,029	18,848	80,525	84,471
Reconciliation:						
Elimination of intersegment sales					(1,717)	(1,948)
Revenue					78,808	82,523
Segment results	(6,104)	(6,233)	2,182	(1,339)	(3,922)	(7,572)
Interest income					228	32
Finance costs (other than interest on lease liabilities)					(68)	(53)
Loss before tax					(3,762)	(7,593)
Income tax credit/(expense)					-	120
Loss for the period					(3,762)	(7,473)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

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

5. REVENUE

An analysis of revenue is as follows:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers	26,778	26,422	78,808	82,523

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	Processing and trading of food products (which includes the transportation service)		Restaurant operation		Total	
	Unaudited		Unaudited		Unaudited	
	Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Type of goods or services						
Sales of food products	56,714	63,372	-	-	56,714	63,372
Income from the provision of transportation services	65	303	-	-	65	303
Income from the operation of restaurants	-	-	22,029	18,848	22,154	18,848
Total revenue from contracts with customers	56,779	63,675	22,029	18,848	82,523	82,523
Timing of revenue recognition						
Goods transferred at a point in time	56,714	63,372	22,029	18,848	78,743	82,220
Services transferred over time	65	303	-	-	65	303
Total revenue from contracts with customers	56,779	63,675	22,029	18,848	78,808	82,523

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE (CONTINUED)

Revenue from contracts with customers (Continued)

(b) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sale of food products

The Group sells goods to wholesalers and individual retailers. The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 60 days from delivery. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Restaurant operation

The performance obligation for restaurant operation is satisfied upon (i) completion of the services; or (ii) delivery of the food. Payment is generally due immediately or within 30 days from delivery.

Provision of transportation services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 45 days from the date of billing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. LOSS BEFORE TAX

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Cost of inventories consumed	13,950	15,397	42,242	52,259
Depreciation of property, plant and equipment	763	1,110	2,284	3,340
Depreciation of right-of-use assets	1,232	1,688	3,687	5,063
Total depreciation	1,995	2,798	5,971	8,403
Rental and related expenses	360	290	1,079	950
Total employee benefit expenses	6,637	6,847	20,143	19,432
Bank interest income	(74)	(15)	(228)	(32)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the nine months ended 30 September 2023, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Current – Hong Kong				
Charge/(credit) for the period	-	-	-	-
Deferred	-	(49)	-	(120)
Total tax charge/(credit) for the period	-	(49)	-	(120)

8. DIVIDENDS

The board of Directors does not recommend the payment of any dividend for the nine months ended 30 September 2023 (2022: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Loss				
Loss attributable to owners of the Company used in the basic loss per share calculation	(655)	(1,297)	(3,607)	(6,498)

	Number of shares			
	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2023	2022	2023	2022
Shares				
Weighted average number of shares in issue used in the basic loss per share calculation ('000)	1,400,000	1,400,000	1,400,000	1,400,000
Loss per share:				
– Basic (HK cents)	(0.05)	(0.09)	(0.26)	(0.46)

No adjustment has been made to the basic loss per share amounts presented for the nine months ended 30 September 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 9 November 2023.