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WINTO GROUP (HOLDINGS) LIMITED

惠陶集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8238)

SUPPLEMENTAL ANNOUNCEMENT CERTAIN UPDATES RELATING TO THE ACQUISITION OF FOREVER INNOVATION LIMITED

Reference is made to (i) the announcement of the Company dated 11 October 2018 relating to the entering into of the memorandum of understanding for the possible acquisition of 51% of the issued share capital of a special purpose vehicle, which shall in turn hold the entire equity interest in 眾體時代(北京)科技有限公司 (Zhongti Times (Beijing) Technology Co., Ltd*) (the “**Target Company**”); (ii) the announcement of the Company dated 4 December 2018 relating to the acquisition of 51% of the issued share capital of the Target Company (the “**Initial Acquisition**”); (iii) the announcement of the Company dated 25 March 2019 in respect of the revised structure to acquire 15% issued share capital in the Target Company (the “**Revised Acquisition**”); and (iv) the announcement of the Company dated 31 May 2019 relating to the lapse of the Revised Acquisition (collectively, the “**Announcements**”).

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

PAYMENT OF CASH DEPOSIT TO THE TARGET COMPANY

As explained by the directors of the Company at the material time, on or before the year ended 31 December 2018, upon request from the Vendor and the Vendor Shareholders, the Company made a payment of HK\$16.6 million to the Target Company after entering into the sale and purchase agreement dated 4 December 2018 (the “**First SPA**”) in respect of the Initial Acquisition.

Pursuant to the second supplemental agreement entered into by, among others, the Company, the Vendor and the Vendor Shareholders on 27 December 2018 (the “**Second Supplemental Agreement**”) and the sale and purchase agreement entered into by, among others, the Company, the Vendor and the Vendor Shareholders dated 25 March 2019 (the “**Second SPA**”) in respect of the Revised Acquisition, the cash deposit amount was increased to HK\$20 million. The cash consideration arrangement constituted part of the major transaction and the details were disclosed in the announcements of the Company dated 4 December 2018, 27 December 2018 and 25 March 2019.

BASES OF AND REASONS FOR MAKING THE DEPOSIT PAYMENT PRIOR TO COMPLETION

In respect of the deposit payment of the HK\$16.6 million (which was subsequently increased to HK\$20 million), the Board at the material time considered that it was fair and reasonable and in the interest of the Company and its shareholders as a whole on the following bases:

(i) Written shareholders' approval of the First SPA and the Second SPA

The Company at the material time prior to making the payment of the deposit obtained the relevant shareholders' approval to proceed with the Initial Acquisition and the Revised Acquisition as required under Chapter 19 of the GEM Listing Rules. The Company has obtained the written approval from its shareholders, Noble Gate and Shareholders Value Fund, which together held approximately 74.79% of the issued share capital of the Company (i) on 4 December 2018 in respect of the First SPA and the Initial Acquisition; and (ii) on 26 March 2019 in respect of the Second SPA and the Revised Acquisition.

(ii) Satisfaction of the due diligence review of the Target Company

The Company conducted due diligence and was satisfied with the results of the financial and legal due diligence review on the Target Group in December 2018 and the parties were then ready to proceed with completion as most of the conditions precedent in the First SPA have been fulfilled before the end of 2018.

On 27 December 2018, the parties entered into the Second Supplemental Agreement pursuant to which the parties agreed that the cash consideration was adjusted to HK\$20 million. The transaction unfortunately was delayed and subsequently aborted for reasons which had never been contemplated by the parties. It was the commercial intention of the parties when entering into the First SPA to complete the transaction by the end of 2018. Given the unexpected delay of the timetable, the parties in December 2018 agreed in good faith to release the cash deposit prior to the completion date in order to hold the transaction tight.

(iii) Commercial reasons for the acquisition of the Target Company

The Company submits that the payment of the deposit should not be regarded as a standalone arrangement and the Company then considered it necessary to secure the transaction in light of the unexpected delay of the completion timetable outside the control of the Company.

The Company at the material times held the view that the Initial Acquisition or the Revised Acquisition, as the case may be, if it had materialized, would bring tremendous business opportunities to the Group to develop its online advertising business through the online gaming platform offered by the Target Company and geographically expand into the PRC market.

Having taken into account the long-term commercial benefits that would otherwise have brought to the Group as a whole, the Board at the material time was of the view that the payment of the deposit, which was made after obtaining the necessary written approval from its controlling shareholders, was then an appropriate commercial decision in the interest of the Company and the shareholders as a whole.

REPAYMENT ARRANGEMENT

The Company has been in discussion with the Target Company, the Vendor and the Vendor Shareholders relating to the repayment of the HK\$20 million. The Company is pushing the Target Company to arrange for repayment of the full amount as soon possible. The Target Company proposed a repayment schedule, being 50% before the end of September 2019 and the remaining 50% before the end of 2019 so that it provides certainty of the repayment deadlines to all parties. As the Company has conducted financial due diligence and analysis in respect of the future growth and performance of the Target Company, the Company is confident that it would be able to recover the HK\$20 million from the Target Company by the end of 2019.

As advised by the Company's PRC legal advisers, Jingtian & Gongcheng, the Company is legally entitled to request *immediate* repayment of the HK\$20 million deposit from the Target Company. The Company and the Target Company have not separately entered into any written agreement in respect of the repayment schedule.

In respect of the repayment of HK\$20 million, the Company considered the following circumstances:

(i) Repayment from the proceeds of sale of controlling stake by the Target Company

The Company is given to understand from the Target Company that it is negotiating with another potential purchaser, which is a Hong Kong listed company, for sale of controlling stake (the "**Sale**") of the Target Company at a valuation significantly higher than the valuation as previously agreed between the Company and the Vendor Shareholders in December 2018 under the First SPA. The Company is given to understand that from the Target Company that the sale and purchase agreement in respect of the Sale will be signed in around September 2019 and a cash deposit will be received upon signing.

(ii) Long-term commercial benefits arising from the formation of joint venture

As announced on 31 May 2019, the Company and the Target Company entered in to a joint venture agreement pursuant to which the parties agreed to form a joint venture company (of which the Company holds 60% interest therein) to be the exclusive agent to carry out the advertising-related business arising from the operation of the Target Company. When agreeing to the repayment schedule of the HK\$20 million deposit, the Company has also considered the potential commercial benefits to expand the advertising business in the PRC that comes with the Target Company's online gaming operation.

Based on the above, the Company considers that the repayment arrangement is in the best interest of the Company as a whole to maintain the business relationship with the Target Company on good terms.

The Company will make announcements of material developments in relation to the above matters as soon as practicable.

By order of the Board
Winto Group (Holdings) Limited
Tang Yau Sing
Executive Director

Hong Kong, 19 July 2019

As at the date of this announcement, the Board comprises Mr. Tang Yau Sing and Mr. Wong Siu Hung, Patrick as executive Directors and Mr. Tsang Zee Ho, Paul, Ms. Wang Yan and Mr. Lau Fai, Lawrence as independent non-executive Directors.

This announcement, for which the Directors of the Company 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 of Hong Kong Limited 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.

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