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WINTO GROUP (HOLDINGS) LIMITED

惠陶集團（控股）有限公司

(Incorporated in Cayman Islands with limited liability)

(stock code: 8238)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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

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.

This announcement, for which the directors (the “Directors”) of Winto Group (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the 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 announcement is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Note</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Revenue	4 & 9	20,824,027	28,249,445
Cost of sales		(2,406,898)	(2,266,279)
		<hr/>	<hr/>
Gross profit		18,417,129	25,983,166
Other revenue and other net income	4	10,385	10,264
Operating expenses		(16,689,862)	(12,240,245)
		<hr/>	<hr/>
Profit from operations		1,737,652	13,753,185
Finance costs	5(a)	(588,623)	(3,696,821)
Share of loss of associates		(612,659)	—
Impairment loss on interests in associates		(4,187,341)	—
		<hr/>	<hr/>
(Loss)/profit before taxation	5	(3,650,971)	10,056,364
Income tax	6	(2,110,677)	(3,429,630)
		<hr/>	<hr/>
(Loss)/profit for the year attributable to owners of the Company		(5,761,648)	6,626,734
Other comprehensive income for the year		—	—
		<hr/>	<hr/>
Total comprehensive (loss)/income for the year attributable to owners of the Company		(5,761,648)	6,626,734
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share			
Basic and diluted	8	(0.08)	0.11
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Note</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Non-current assets			
Plant and equipment		267,492	38,509
Interests in associates		200,000	—
		467,492	38,509
Current assets			
Due from ultimate holding company		2,510	—
Trade and other receivables	10	28,390,380	19,861,846
Tax recoverable		449,729	—
Cash and cash equivalents		41,174,973	26,557,464
		70,017,592	46,419,310
Current liabilities			
Trade and other payables	11	3,984,118	5,438,731
Bank borrowings		2,497,763	7,725,430
Tax payable		—	749,065
Convertible bonds		—	22,199,832
		(6,481,881)	(36,113,058)
Net current assets		63,535,711	10,306,252
Total assets less current liabilities		64,003,203	10,344,761
Net assets		64,003,203	10,344,761
Capital and reserves			
Share capital		7,200,000	10,000
Reserve		56,803,203	10,334,761
Total equity attributable to owners of the Company		64,003,203	10,344,761

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital HK\$	Share premium HK\$	Convertible bonds reserve HK\$	Retained profits/ (accumulated loss) HK\$	Total equity HK\$
At 1 January 2014	10,000	—	484,415	11,538,203	12,032,618
Total comprehensive income for the year	—	—	—	6,626,734	6,626,734
Issue of convertible bonds	—	—	755,409	—	755,409
Dividend paid (Note 7)	—	—	—	(9,070,000)	(9,070,000)
At 31 December 2014 and 1 January 2015	10,000	—	1,239,824	9,094,937	10,344,761
Total comprehensive loss for the year	—	—	—	(5,761,648)	(5,761,648)
Issue of new shares	2,510	—	—	—	2,510
Issue of shares upon conversion of convertible bonds	2,490	22,492,401	—	—	22,494,891
Transfer of convertible bonds reserve upon conversion of convertible bonds	—	1,239,824	(1,239,824)	—	—
Issue of new shares by way of placing	1,200,000	43,200,000	—	—	44,400,000
Share issue expenses	—	(3,477,311)	—	—	(3,477,311)
Capitalisation issue	5,985,000	(5,985,000)	—	—	—
Dividend paid (Note 7)	—	—	—	(4,000,000)	(4,000,000)
At 31 December 2015	<u>7,200,000</u>	<u>57,469,914</u>	<u>—</u>	<u>(666,711)</u>	<u>64,003,203</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

Winto Group (Holdings) Limited (“the Company”) was incorporated in the Cayman Islands on 7 December 2012 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidation and revised) of the Cayman Islands and its shares are listed on the Growth Enterprise Market (the “GEM Board”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Room 1412, 14th Floor, New World Tower 1, 16–18 Queen’s Road Central, Hong Kong respectively.

The principal activity of the Company is investment holding. The principle activities of the subsidiaries are sales and free distribution of Chinese language lifestyle magazines, the sales of advertising space in the magazines and provision of outdoor advertising services.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). These financial statements are presented in Hong Kong dollars (“HK\$”), rounded to the nearest dollar except for per share data. Hong Kong dollar is the functional and the presentation currency of the Group and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual Improvements to HKFRSs 2010–2012 Cycle and 2011–2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

4. REVENUE AND OTHER REVENUE AND OTHER NET INCOME

The principal activities of the Group are sales and free distribution of Chinese language lifestyle magazines, the sales of advertising space in the magazines and provision of outdoor advertising services.

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
Revenue		
Print media advertising	20,441,097	27,866,052
Sales of magazines	261,280	383,393
Outdoor advertising	121,650	—
	<u>20,824,027</u>	<u>28,249,445</u>
Other revenue and other net income		
Sundry income	8,496	10,253
Interest income on financial assets not at fair value through profit or loss — bank interest income	1,889	11
	<u>10,385</u>	<u>10,264</u>
	<u><u>20,834,412</u></u>	<u><u>28,259,709</u></u>

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

a) Finance costs

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Interest on bank overdraft	5,620	33,584
Interest on bank borrowings	287,944	476,593
Interest on convertible bonds	295,059	3,186,644
	<u>588,623</u>	<u>3,696,821</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u>588,623</u>	<u>3,696,821</u>

The above bank borrowings interests relate to bank borrowings which repayment terms contain a repayment on demand clause.

b) Staff costs (including directors' remuneration)

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Salaries, wages and other benefits	5,325,564	2,648,431
Contributions to defined contribution retirement plan	142,791	89,721
	<u>5,468,355</u>	<u>2,738,152</u>

c) Other items

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Impairment loss on trade receivables	778,000	—
Depreciation	36,552	21,575
Auditor's remuneration	460,000	240,000
Operating lease charge	550,518	240,000
Cost of inventory	2,183,520	2,137,266
Listing expenses	4,090,726	7,526,169
	<u>4,090,726</u>	<u>7,526,169</u>

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax recognised in profit or loss:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	2,130,258	3,429,630
Over-provision in respect of prior years	(19,581)	—
	<u>2,110,677</u>	<u>3,429,630</u>

- i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

- ii) Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year after, taking into account the reduction granted by the Hong Kong SAR Government of 75% of the tax payable subject to a maximum reduction of HK\$20,000 (2014: HK\$10,000).
- iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in these countries.
- iv) At the end of reporting period, the group has not recognized deferred tax assets in respect of cumulative tax losses of HK\$5,499,146 (2014: Nil) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant entities. The tax losses do not expire under current tax legislation. The Group had no other significant unprovided deferred tax for both years.

7. DIVIDENDS

Details of dividends attributable to each of the financial year are as follows:

	2015	2014
	HK\$	HK\$
Interim dividends of HK\$4 (2014: HK\$9.07) per share declared and paid	<u>4,000,000</u>	<u>9,070,000</u>

Dividends during the years ended 31 December 2015 and 2014 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies, after elimination of intra-group dividends.

The directors consider that the dividend payments made during the year are not indicative of the future dividend policy of the Group.

8. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

The basic and diluted (loss)/earnings per share for the year ended 31 December 2015 and 2014 is calculated based on the loss attributable to owners of the Company for the year ended 31 December 2015 in the amount of HK\$5,761,648 (2014: profit of HK\$6,626,734) and the weighted average of 7,048,383,562 ordinary shares (2014: 5,995,000,000 after adjusting for share subdivision and capitalisation issue in 2015) in issue during the year, calculated as follows:

	2015	2014
	Number of shares	Number of shares
Issued ordinary shares at 1 January	1,000,000	1,000,000
Effect of Capitalisation issue	598,500,000	598,500,000
Effect of shares issued under allotment	231,745	—
Effect of conversion of convertible bond	229,899	—
Effect of shares issued under initial public offering	104,876,712	—
Effect of shares subdivision	<u>6,343,545,206</u>	<u>5,395,500,000</u>
Weighted average number of ordinary shares	<u>7,048,383,562</u>	<u>5,995,000,000</u>

For the year ended 31 December 2014, the weighted average number of ordinary shares has been adjusted to reflect the effect of capitalisation issue and shares subdivision completed on 29 January 2015 and 8 June 2015 respectively.

Diluted and basic loss per share for the year ended 31 December 2015 were the same because there was no potential ordinary shares outstanding at the year end date.

Diluted and basic earnings per share for the year ended 31 December 2014 were the same because there is anti-dilutive effect as if the conversion of all potential ordinary shares arising from convertible bonds.

9. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines in a manner consistent with the way in which information is reported internally to the Group's Chief Operating Decision Maker ("CODM"), being the Executive Directors of the Company for the purposes of resource allocation and performance assessment, the Group has two reportable segments as below. No operating segments have been aggregated to form the following reportable segments.

1. Print media
2. Outdoor advertising

a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segment, the Group's CODM monitors the revenue attributable to each reportable segment on the following bases:

Segment assets include all tangibles and current assets with the exception of interests in associates and other corporate assets. Segment liabilities include provisions and trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

In addition to receiving segment information CODM is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below.

Segment results

	2015	2014		2015	2014	
	Print media	Outdoor	Total	Print media	Outdoor	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	
Revenue from external customers	20,702,377	121,650	20,824,027	28,249,445	—	28,249,445
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	<u>20,702,377</u>	<u>121,650</u>	<u>20,824,027</u>	<u>28,249,445</u>	<u>—</u>	<u>28,249,445</u>
Reportable segment profit/(loss)	<u>11,908,436</u>	<u>(1,603,865)</u>	<u>10,304,571</u>	<u>20,840,828</u>	<u>—</u>	<u>20,840,828</u>
Unallocated income			656			—
Unallocated expenses			<u>(13,956,198)</u>			<u>(10,784,464)</u>
(Loss)/profit before taxation			<u>(3,650,971)</u>			<u>10,056,364</u>

Other segment information

	2015				2014			
	Print media <i>HK\$</i>	Outdoor advertising <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>	Print media <i>HK\$</i>	Outdoor advertising <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Interest income from bank deposit	1,221	12	656	1,889	11	—	—	11
Finance costs	(293,560)	—	(295,063)	(588,623)	(510,177)	—	(3,186,644)	(3,696,821)
Depreciation for the year	(16,770)	(12,886)	(6,896)	(36,552)	(21,575)	—	—	(21,575)
Impairment loss on trade receivables	(778,000)	—	—	(778,000)	—	—	—	—
Addition to non-current assets	8,378	194,198	62,959	265,535	8,700	—	—	8,700

b) Major customers

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Customer 1	<u>5,370,000</u>	<u>5,370,000</u>
Customer 2	<u>3,470,000</u>	<u>6,450,000</u>
Customer 3	<u>4,018,223</u>	<u>4,469,248</u>
Customer 4	<u>2,617,472</u>	<u>Note</u>

Note: Less than 10 percent of the Group's turnover for the year ended 31 December 2014.

Revenues from each of the above customers accounted for 10 percent or more of the Group's turnover for the years ended 31 December 2015 and 2014.

c) Geographical information

No analysis of the Group's revenue from external customers and non-current assets by geographical location has been presented as all the Group's operating activities are carried out in Hong Kong.

10. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Trade receivables		
— For services already invoiced (note c)	22,321,488	17,068,632
Less: allowance for doubtful debts	<u>(778,000)</u>	<u>—</u>
	21,543,488	17,068,632
Advertising income not yet invoiced	<u>—</u>	<u>1,946,560</u>
Loans and receivables	21,543,488	19,015,192
Deposits (note a)	4,331,134	82,800
Prepayment	2,456,718	12,999
Other receivables	59,040	3,504
Deferred professional service fees in respect of preparation for share placing (note f)	<u>—</u>	<u>747,351</u>
	<u>28,390,380</u>	<u>19,861,846</u>

- a) Except for HK\$251,134 (2014: HK\$42,800) of the rental and utilities deposits at 31 December 2015, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.
- b) During the year ended 31 December 2015 and 2014, advertising services provided to the Group's customers were in general made on credit with credit period of 0 to 180 days from the date on which invoice was issued. The credit terms of each customer of the Group were determined by the Group's sales team and were subject to review and approval of the Group's management based on the customers' payment history, transaction volume and length of business relationship with the Group.

For those advertising income not yet invoiced, the Group would only issue invoices to customers who have advertising package with the Group after the publication of all the advertisements included in the advertising package or the period end of the advertising package. Credit period for these customers is longer than the other customers.

All outstanding trade receivable balances were being reviewed by the Group's sales department on a regular basis to ensure that any overdue receivable was promptly monitored and appropriate collection actions were taken. The Group's sales department would follow up on the collections and the Group's accounting department would monitor the progress of the collection. For those material long outstanding balances, legal actions would be taken for debt collection. During the year ended 31 December 2015 and 2014, no legal actions were taken by the Group for debt collection.

- c) The aging analysis of trade receivables based on overdue days and net of allowance for doubtful debts is as follows:

	2015	2014
	HK\$	HK\$
For services invoiced		
Current	10,837,678	15,085,000
1–30 days	994,180	1,223,512
31–90 days	2,069,450	673,720
Over 90 days	7,642,180	86,400
	<u>21,543,488</u>	<u>17,068,632</u>

d) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements in the allowance for doubtful debts

	2015	2014
	HK\$	HK\$
At 1 January	—	—
Impairment loss recognised	778,000	—
	<u>778,000</u>	<u>—</u>
At 31 December	<u>778,000</u>	<u>—</u>

As at 31 December 2015, trade receivables amounting to HK\$778,000 (2014: Nil) were individually determined to be impaired.

e) Trade receivables that are not impaired

Trade receivables that are neither past due nor impaired amounted to HK\$10,837,678 (2014: HK\$15,085,000) as at 31 December 2015. These balances are related to customers with good credit quality.

Below is an ageing analysis of trade receivables that were past due as at the reporting date but not impaired:

	2015	2014
	HK\$	HK\$
1 to 30 days	994,180	1,223,512
31 to 90 days	2,069,450	673,720
Over 90 days	7,642,180	86,400
	<u>10,705,810</u>	<u>1,983,632</u>

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

- f) The amounts represented legal and other professional fees relating to the placing of the Company's shares. Such fees are to be deducted from equity upon the listing of the shares of the Company on the GEM of the Stock Exchange on 16 February 2015.

11. TRADE AND OTHER PAYABLES

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Trade payables	789,665	1,032,601
Other payables and accrued expenses	2,152,838	4,406,130
Receipt in Advance	1,041,615	—
	<u>3,984,118</u>	<u>5,438,731</u>

- a) All of the trade and other payables are expected to be settled within one year or are repayable on demand.
- b) The ageing analysis of trade payables presented based on invoice date is as follows:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
0–60 days	392,856	382,921
61–90 days	212,340	149,300
91–180 days	184,469	468,080
Over 180 days	—	32,300
	<u>789,665</u>	<u>1,032,601</u>

The credit terms granted by the suppliers during the year were generally ranging from 30 to 120 days (2014: 30 to 120 days). The directors of the Company consider that the carrying amounts of trade payables approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The Group recorded total turnover of approximately HK\$20,824,000 for the year ended 31 December 2015, representing a decrease of approximately 26.3% or HK\$7,425,000 from approximately HK\$28,249,000 for the year ended 31 December 2014. The total gross profit of the Group was approximately HK\$18,417,000 for the year ended 31 December 2015, representing a decrease of approximately 29.1% as compared to that of the year ended 31 December 2014. The gross profit margin decreased to approximately 88.4% for the year ended 31 December 2015. The Group turned to net loss of approximately HK\$5,762,000 for the year ended 31 December 2015 from net profit of approximately HK\$6,627,000 for the year ended 31 December 2014. Loss per share of the Group for the year ended 31 December 2015 was approximately HK0.08 cents. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015.

Business Review

The Group is principally engaged in the sales and free distribution of Chinese language lifestyle magazines, the sales of advertising space in the magazines and provision of outdoor advertising services.

Profile of the magazines of the Group:

The Group owns and publishes six magazines, including Motoz Trader, Motoz Trader (Free), Motoz Xpress/Shopping Monthly (a 2-in-1 dual cover magazine), Motoz Xpress/Shopping Monthly (Free) (a 2-in-1 dual cover magazine), Pets Buyer and Bplus. The magazines of the Group cover readership of different market segments and age groups by focusing on different areas of interests in lifestyle, including automotive, pets, beauty and fashion, property, dining and electronic products.

- Motoz Trader is a fortnightly magazine that focuses on new car models, second-hand car market and properties while also provides lifestyle information including dining, fashion and beauty.
- Motoz Xpress/Shopping Monthly is a 2-in-1 monthly magazine that mainly focuses on new car models and second-hand car market in Hong Kong. It also covers car installment and parts, as well as a consumer guide of updated information on consumer products.
- Pets Buyer is a bi-monthly magazine that focuses on pets related information such as pet caring tips and knowledge.
- Bplus is a quarterly magazine that focuses on cosmetic and fashion related contents and most current beauty topics.
- Motoz Trader (Free) is a free fortnightly magazine that is extracted from Motoz Trader.
- Motoz Xpress/Shopping Monthly (Free) is a free monthly magazine extracted from Motoz Xpress/Shopping Monthly.

During the year under review, the Group continued the sales and free distribution of its magazines. In addition, the Group has been actively expanding its advertising customers and distribution network with a view to obtaining steady income.

Advertising Business

For the year ended 31 December 2015, the income from print media advertising of the Group amounted to approximately HK\$20,441,000, representing a decrease of approximately 26.6% as compared to last year. This was mainly attributable to (i) the reduction in numbers of clients; and (ii) the decrease in placement of orders from our existing client.

The main source of revenue of the Group was derived from the sales of advertising spaces in its magazines. Through its on-going business development, the Group has developed a diversified portfolio of advertising customers that covered the industries of motor dealers, car beauty, pet shops, jewels, watches, property agency, beauty, professional firm and education.

During the year under review, the major source of revenue of the Group was the sales of advertising spaces in Motoz Trader and Motoz Trader (Free). Motoz Trader and Motoz Trader (Free) mainly focus on new car models, second-hand car market and properties while providing lifestyle information including dining, fashion and beauty. Some of the advertising customers with higher profitability, including those from the sectors of beauty, education and property agency, were solicited in addition to those related to automobiles.

The Group possesses outstanding sales and marketing staff who sell advertising spaces directly to customers. In addition, it adopts diversified strategies for expanding its networks of sales and marketing. As the advertising selling strategy of the Group focuses on the distribution network of magazines, it is dedicated to expand its network of free reading sites for increasing the exposure of its magazines to readers. With the on-going expansion of distribution network and a wider range of magazines for distribution, we have launched advertising packages for catering the marketing needs of customers, in order to expand our advertising customer base and increase the attractiveness to our target print media advertising customers.

Sales of Magazines and Distribution of Free Magazines

The paid version of the Group's magazines are mainly for sale at convenience stores, newsstands and book stores in Hong Kong. For the year ended 31 December 2015, the income from sales of magazines of the Group amounted to approximately HK\$261,000, representing a decrease of approximately 31.9% as compared to last year primarily because a decrease of magazines sold during the year.

The Group extracted content from some of the paid versions of its magazines, namely Motoz Trader and Motoz Xpress/Shopping Monthly, and published as free versions at various despatching points in Hong Kong for free pick up by the public or for free reading at respective locations, with the objective to increase the sales of its advertisements and the paid versions of its magazines. Free distribution can increase the readers of magazines, and the widened exposure can attract more existing and potential advertising customers, such that the Group's advertising business can be increased. In addition, we select despatching points for capturing our target reader groups. For example, we distributed Pets Buyer to animal clinics in Hong Kong for free reading by customers and distributed Bplus to beauty salons. Currently, the Group has over 1,000 despatching and free distribution points, throughout Hong Kong, including petrol filling stations, car parking lots, property agencies, foot massage shops, cafes, hair product companies and club houses. Readers can get the most updated information on automobiles, dining, beauty and properties whilst filling petrol, taking breaks or having lunch.

Profile of the outdoor advertising of the Group:

In August 2015, the Group established a wholly owned subsidiary of GO Media Limited (“GO Media”). GO Media is a professional outdoor media advertising company engaged in taxi advertising, minibuses advertising, ice cream vehicle advertising, roof/exterior wall advertising, outdoor light box advertising, and LED screen advertising. Its business is comprehensive and with wide coverage. Its business scope includes development of outdoor advertising/investment, management, operation, marketing, maintenance, after sale service and outdoor advertising agency services. Outdoor media is exclusive to the multi-dimensional space with high inclusiveness and flexibility, is increasingly sought after by advertisers. Outdoor advertising is a media mode which may swiftly invoke audience emotional communication, with the advantages of high coverage, strong visual impact, rich in form and variety, persistent publication time. Its expression is direct and simple, and with effective information transfer and widespread influence. For the year ended 31 December 2015, revenue of approximately HK\$122,000 is contributed by outdoor advertising business.

Shortly after the establishment of GO Media, we have successfully acquired the exclusive right of use to the billboard at Elizabeth House, a commercial building in Causeway bay, Hong Kong Island. The billboard occupies a prominent seaside space, which may generate advertising income for the Group in future.

New acquisition of the Group:

In September 2015, the Group completed the acquisition of 20% equity interests in Strategist Media Holdings Limited (策略王傳媒控股有限公司) (“Strategist Media”). The Company applied HK\$5.0 million of the net proceeds from the listing to settle the consideration for the acquisition. Strategist Media is principally engaged in the publication and the sales of a weekly Chinese finance and investment magazine, namely 港股策略王, mainly through the network of convenience stores and newsstands in Hong Kong. Magazine contents cover finance, wealth management, property investment, lifestyle and etc. Strategist Media also involves in the businesses of online advertising, investor relation services and event management.

Prospects

Looking forward, the global and local economy is full of challenges. As a barometer of the economy, the advertising sector is no exception. The Company foresees difficulties in business development in the year ahead.

Nevertheless, the Group will continue to dedicate to provide the latest, fullest and quickest information to its readers. We will continue to expand the distribution network of our magazines and to place advertisements to increase our marketing activities and the public awareness of the Group, in order to increase the Group’s income.

The Group believes that GO Media can enrich the Group’s business project portfolio, attract more advertising business opportunities, further expand the Group’s business scope, and enable us to better grasp business opportunities in the media industry.

We are also confident that our involvement with Strategist Media may have a synergy effect with our existing businesses. With more exploration, the Group may cross-sell a wider variety magazine advertising space, in turn enhance our advertising business opportunities.

To complement our existing business, the Group has been looking for new business opportunities so as to enhance return to our shareholders.

Financial Review

Turnover

Total revenue decreased by approximately 26.3% from approximately HK\$28,249,000 for the year ended 31 December 2014 to approximately HK\$20,824,000 for the year ended 31 December 2015, primarily because the reduction in number of clients and the decrease in placement of orders from our existing clients. Revenue from print media advertising decreased from approximately HK\$27,866,000 for the year ended 31 December 2014 to approximately HK\$20,441,000 for the year ended 31 December 2015 and revenue from sales of the magazines decreased from approximately HK\$383,000 for the year ended 31 December 2014 to approximately HK\$261,000 for the year ended 31 December 2015.

Cost of Sales

The Group's major costs of sales are the printing costs which included the fees payable to the printers for provision of printing services (supply of paper, ink, etc. for the printing of the Magazines inclusive).

Cost of sales increased from approximately HK\$2,266,000 for the year ended 31 December 2014 to approximately HK\$2,407,000 for the year ended 31 December 2015, representing an increase of approximately 6.2%. The increase in cost of sales was mainly attributable to the cost derived from outdoor advertising business.

Gross Profit and Gross Profit Margin

The gross profit and gross profit margin of the Group were approximately HK\$18,417,000 and approximately 88.4% for the year ended 31 December 2015 respectively.

Operating Expenses

The operating expenses of the Group increased by approximately 36.4% from approximately HK\$12,240,000 for the year ended 31 December 2014 to approximately HK\$16,690,000 for the year ended 31 December 2015. The increase was mainly due to the increase in operating expenses derived from outdoor advertising business, impairment loss on trade receivable and the increase in listing-related expenses (including the increase in directors' fee, company secretary fee and compliance advisory fee incurred after the Listing).

Finance Costs

Finance costs of the Group amounted to approximately HK\$589,000 for the year ended 31 December 2015 (2014: approximately HK\$3,697,000). The decrease in finance costs was mainly due to less interest incurred on the Convertible Bonds during the year. On 29 January 2015, all Convertible Bonds were converted into 249,000 ordinary shares of the Company at HK\$0.01 each due to the approval of the Listing by the Stock Exchange.

Impairment loss of interests in associates

For the investment in Strategist Media, based on the cash flow projection, the return of the investment in Strategist Media will be an immaterial value. Therefore, the Group recognised an allowance for impairment of approximately HK\$4,187,000 for this investment during the financial year.

Income Tax

Income tax for the Group was approximately HK\$2,111,000 for the year ended 31 December 2015 (2014: approximately HK\$3,430,000), decreased by approximately 38.5%. The decrease was mainly due to the decrease in profit before taxation of the Group during the year.

(Loss)/Profit Attributable to Owners of the Company

During the year ended 31 December 2015, the Group turned to a loss attributable to owners of the Company of approximately HK\$5,762,000 from a profit attributable to owners of the Company of approximately HK\$6,627,000 for the year ended 31 December 2014. This was mainly attributable to (i) the reduction in number of clients; (ii) the decrease in placement of orders from our existing clients; (iii) loss derived from outdoor advertising business; (iv) an impairment loss on trade receivables; (v) the increase in listing-related expenses as mentioned above; and (vi) share of loss of associates and impairment loss on interests in associates during the year.

Liquidity, Financial Resources and Capital Structure

The Group's shares were successfully listed on GEM on 16 February 2015. There has been no change in the capital structure of the Group since the Listing Date and up to the date of this report.

	As at 31 December	
	2015	2014
	HK\$	HK\$
Current assets	70,017,592	46,419,310
Current liabilities	6,481,881	36,113,058
Current ratio	<u>10.8</u>	<u>1.3</u>

The current ratio of the Group as at 31 December 2015 was approximately 10.8 times as compared to approximately 1.3 times as at 31 December 2014. The increase was mainly resulted from (i) an increase in trade receivable; (ii) an increase in cash and cash equivalent; and (iii) absence of Convertible Bonds as at 31 December 2015.

As at 31 December 2015, the Group had cash and cash equivalents of approximately HK\$41,175,000 (2014: approximately HK\$26,557,000).

As at 31 December 2015 and 2014, the Group had bank borrowings of approximately HK\$2,498,000 and HK\$7,725,000 respectively. The scheduled repayment date of the Group's bank borrowings, as set out in the loan agreements and without considering the effect of any repayment on demand clauses were as follows:

	2015	2014
	HK\$	HK\$
Within 1 year	2,458,720	4,295,413
Between 1 and 2 years	39,043	3,016,665
Between 2 and 5 years	—	413,352

As at 31 December 2015, the Group did not have any Convertible Bonds.

Gearing Ratio

The gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was approximately 3.9% as at 31 December 2015 (2014: approximately 289.3%).

Trade Receivables Turnover Days

The trade receivables and trade receivables turnover days increase from approximately HK\$19,015,000 and approximately 246 days for the year ended 31 December 2014 to approximately HK\$21,543,000 and approximately 378 days for the year ended 31 December 2015 respectively. The increase in trade receivable turnover days was mainly due to late settlement of the trade receivable by our clients. All outstanding trade receivable balances are being reviewed by the Group's sales and marketing department on a monthly basis to ensure that any overdue receivable is promptly monitored and appropriate collection actions are taken.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Significant Investments Held

During the year ended 31 December 2015, there was no significant investment held by the Group.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus of the Group dated 30 January 2015, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

Pledge of Assets

As at 31 December 2015, the Group has no assets pledged for bank borrowings or for other purpose (2014: Nil).

Contingent Liabilities

As at 31 December 2015, the Group is subject to maximum penalty and fines of HK\$854,000 in respect of non-compliance of relevant rules and regulations in relation to registration and requirements in relation to the distribution of the magazines (2014: HK\$854,000).

Capital Commitments

As at 31 December 2015, the Group did not have any significant capital commitments.

Foreign Currency Risk

As most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, the Group's exposure to exchange rate risk is limited.

Information on Employees

As at 31 December 2015, the employee headcount (not including Directors) of the Group was 17 (2014: 10) and the total staff costs, including Directors' emoluments, amounted to approximately HK\$5.5 million (2014: approximately HK\$2.7 million).

The Group offers competitive remuneration packages commensurate with industry practice. In order to attract and retain valuable employees, the Group reviews the performance of its employees annually and such review results will be taken into account while having the annual salary review and promotion appraisal. In addition to a basic salary, bonuses would be paid to staff with reference to the financial performance of the Group. The Group would also provide trainings or seminars that relating to publication business and offer options that may be granted to the employees under the share option scheme. The Group pays commission to its sales and marketing staff which was calculated based on an agreed percentage of sharing specified in their respective contracts in accordance of the total monthly sales solicited by such staff which is arrived at mutual agreement between the Company and the respective staff.

Risk Management

Credit risk

Credit risk exposure represents trade receivable from customers which principally arise from our business activities.

The Group has a credit policy in place and the credit risk is monitored on an on-going basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

In order to minimise the credit risk, management of the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the Board considers that the Group's credit risk is significantly reduced.

Liquidity risk

The Group monitors current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Interest risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and fair value interest rate risk on fixed rate borrowings. The Directors monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Use of Proceeds from the Placing

The net proceeds from the issue of new shares of the Group at the time of its listing on GEM on 16 February 2015 through a placement of 180,000,000 ordinary shares of HK\$0.01 each in the share capital of the Group at the price of HK\$0.37 per share, after deduction of the related underwriting fees and issuance expenses paid by the Group in connection thereto, were approximately HK\$28.9 million.

	Planned amount as stated in the Prospectus <i>HK\$ million</i>	Actual amount utilised up to 31 December 2015 <i>HK\$ million</i>	Actual balance as at 31 December 2015 <i>HK\$ million</i>
Use of net proceeds			
Enhance public awareness to the Group's magazines (note (a))	4.3	0.0	4.3
Publish new magazines (note (b))	7.4	5.0	2.4
Enhance corporate image and strengthen marketing activities (note (c))	14.9	0.0	14.9
Working capital	2.3	2.3	Nil
Total	28.9	7.3	21.6

Notes:

- (a) From January to March 2016, Ocean Media placed advertisements to green minibuses and outdoor advertisements at Sai Kung and Tuen Mun amounting to approximately HK\$219,000.
- (b) In September 2015, the Group completed the acquisition of 20% equity interests in Strategist Media. The Company applied HK\$5.0 million of the net proceeds from the listing to settle the consideration for the acquisition. Strategist Media is principally engaged in the publication and the sales of weekly Chinese finance and investment magazines, namely 港股策略王, mainly through the network of convenience stores and newsstands in Hong Kong. Magazine contents cover finance, wealth management, property investment, lifestyle and etc. Strategic Media also involves in the businesses of online advertising, investor relation services and event management.
- (c) The Group is yet in the process of selecting suitable location and property, and thus no proceeds have been spent in this regards.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. The Directors of the Company consider that since the listing of the shares of the Company on the GEM of the Stock Exchange on 16 February 2015 (the "Listing Date"), the Company has complied with the Corporate Governance Code (the "Code") from the Listing Date up to the date of this announcement, except for Code Provision A.2.1.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kwan Shun Keung Timmy ("Mr. Kwan") is the Chairman and the chief executive officer of the Company.

As Mr. Kwan is one of the co-founders of the Group and has been operating and managing our Group since 2009, the Board believes that it is in the best interests of the Group to have Mr. Kwan taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from the Code provision A.2.1 is appropriate in such circumstance.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of shareholders and investors.

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 concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiry, all the Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding Director's securities transactions during the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2015, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

AUDIT COMMITTEE

The Company established an Audit Committee pursuant to a resolution of the Directors passed on 23 January 2015 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of the Company and judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the internal control procedures of the Group.

The Audit Committee consists of all six independent non-executive Directors, namely, Mr. Lee Kwok Tung Louis, Mr. Tsang Ho Ka Eugene, Mr. Yu Chon Man, Mr. Liu Kwong Chi Nelson, Ms. Wong Fei Tat and Mr. Pang Siu Yin. Mr. Lee Kwok Tung Louis is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2015.

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the results announcement of the Group for the year ended 31 December 2015 have been reviewed and agreed by the Group's auditor, CCIF CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCIF CPA Limited 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 CCIF CPA Limited on this announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This result announcement is published on the websites of the Stock Exchange (<http://www.hkgem.com>) and the Company (<http://www.wintogroup.hk>). The annual report of the Company for the year ended 31 December 2015 containing all the information required by the GEM Listing Rules will be dispatched to the Company's shareholders and posted on the above websites in due course.

By order of the Board
Winto Group (Holdings) Limited
Kwan Shun Keung Timmy
Chairman

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises Mr. Kwan Shun Keung Timmy, Mr. Mak Wai Kit and Ms. Law Shiu Wai as executive directors; Mr. Tsang Hin Man Terence as non-executive director; and Mr. Lee Kwok Tung Louis, Mr. Tsang Ho Ka Eugene, Mr. Yu Chon Man, Mr. Liu Kwong Chi Nelson, Ms. Wong Fei Tat and Mr. Pang Siu Yin as independent non-executive directors.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and be posted and remains on the website of the Company at <http://www.wintogroup.hk>.