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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 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, includes 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.

FINANCIAL RESULTS

The board of directors (the “Board”) of Winto Group (Holdings) Limited Limited (the “Company”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2015 together with the comparative unaudited figures for the corresponding period in 2014 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2015

		Three months ended	
		31 March	
	Note	2015	2014
		HK\$	HK\$
		(Unaudited)	(Unaudited)
Turnover	3	5,269,192	5,347,718
Cost of sales		(552,619)	(587,620)
Gross profit		4,716,573	4,760,098
Other revenue		137	361
Operating expenses		(7,147,261)	(3,228,786)
(Loss)/Profit from operations		(2,430,551)	1,531,673
Finance costs		(468,506)	(775,145)
(Loss)/Profit before taxation		(2,899,057)	756,528
Income tax	4	(491,576)	(603,607)
(Loss)/Profit for the period attributable to owners of the Company		(3,390,633)	152,921
Other comprehensive income for the period		—	—
Total comprehensive (loss)/income for the period attributable to owners of the Company		(3,390,633)	152,921
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earning per share			
Basic and diluted	6	(0.51)	0.03

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Convertible bonds reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total equity <i>HK\$</i>
Balance at 1 January 2014 (audited)	10,000	—	484,415	11,538,203	12,032,618
Profit for the period and total comprehensive income for the period	—	—	—	152,921	152,921
Issue of convertible bonds	—	—	755,409	—	755,409
Dividend paid (<i>note 5</i>)	—	—	—	(3,850,000)	(3,850,000)
Balance at 31 March 2014 (unaudited)	<u>10,000</u>	<u>—</u>	<u>1,239,824</u>	<u>7,841,124</u>	<u>9,090,948</u>
Balance at 1 January 2015 (audited)	10,000	—	1,239,824	9,094,937	10,344,761
Loss for the period and total comprehensive loss for the period	—	—	—	(3,390,633)	(3,390,633)
Dividend paid (<i>note 5</i>)	—	—	—	(4,000,000)	(4,000,000)
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)	—	—	—
Balance at 31 March 2015 (unaudited)	<u>7,200,000</u>	<u>57,469,914</u>	<u>—</u>	<u>1,704,304</u>	<u>66,374,218</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 7 December 2012, as an exempted company with limited liability under the Companies Law (as Revised) of the Cayman Islands. The Company's shares are listed on the GEM since 16 February 2015 (the "Listing").

Pursuant to a group reorganisation (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group on 9 December 2013, the details of which are as set out in the prospectus issued by the Company dated 30 January 2015 (the "Prospectus").

The unaudited consolidated financial results of the Group for the three months ended 31 March 2015 are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

The unaudited consolidated financial results of the Group for the three months ended 31 March 2015 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The unaudited consolidated financial results have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the consolidated financial results in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The unaudited consolidated financial results should be read in conjunction with the Group's audited consolidated financial statements and notes thereto for the year ended 31 December 2014.

Adoption of new/revised HKFRS

The adoption of the new/revised HKFRS that are relevant to the Group and effective from the current period, did not have any significant effect on the results and financial position of the Group for the current and prior accounting periods.

The Group has not early adopted any new/revised HKFRS that have been issued but are not yet effective for the current period. The Directors have already commenced an assessment of the impact of these new and revised HKFRS but are not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group's results of operations and financial position.

3. TURNOVER

The principal activities of the Group are sales and free distribution of Chinese lifestyle magazines and the sales of advertising space in the magazines.

Turnover represents the advertising income and the sale value of magazines supplied to customers. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Three months ended 31 March	
	2015	2014
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Advertising income	5,158,465	5,218,514
Sales of magazines	110,727	129,204
	<u>5,269,192</u>	<u>5,347,718</u>

4. INCOME TAX

Income tax recognised in profit or loss:

	Three months ended 31 March	
	2015	2014
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current income tax:		
Hong Kong profits tax		
Current tax	491,576	603,607
	<u>491,576</u>	<u>603,607</u>

Hong Kong profits tax has been provided at the rate of 16.5% (three months ended 31 March 2014: 16.5%) on the estimated assessable profit during the period arising in or derived from Hong Kong.

5. DIVIDEND

During the three months period ended 31 March 2015 and 2014, the Company declared an interim dividend of HK\$4,000,000 (HK\$4.00 per share declared and paid) and HK\$3,850,000 (HK\$3.85 per share declared and paid) to its shareholders respectively, the dividends represented dividends declared by the companies now comprising the Group to the then equity holders of the companies prior to the Listing, after elimination of intragroup dividends.

No other dividend has been paid or proposed by the Group for the three months ended 31 March 2015.

6. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share for the three months ended 31 March 2015 and 2014 is calculated by dividing the (loss)/profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

In determining the weighted average number of ordinary shares in issue, the capitalisation issue of 598,500,000 ordinary shares upon the Listing on 16 February 2015 was deemed to have been in issue on 1 January 2014 for the purpose of the calculation of basic (loss)/earnings per share.

	Three months ended 31 March	
	2015	2014
(Loss)/profit attributable to equity holders of the Company	<u>(3,390,633)</u>	<u>152,921</u>
Weighted average number of ordinary shares	<u>658,511,111</u>	<u>599,500,000</u>
Basic (loss)/earning per share	<u>HK\$(0.51) cents</u>	<u>HK\$0.03 cents</u>

Diluted (loss)/earnings per share for three month ended 31 March 2015 and 2014 were same as the basic (loss)/earnings per share because there is anti-dilutive effect as if the conversion of all potential ordinary shares arising from convertible bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

Winto Group (Holdings) Limited is a magazine publishing group that is principally engaged in the sales and free distribution of a wide range of Chinese language lifestyle magazines in Hong Kong. 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.

The Group is dedicated to provide the latest, fullest and quickest information to its readers. It is also planning to publish several new magazines in travelling, second-hand commercial vehicles (such as trucks and vans), yachts and dining. By doing so, the Group will have more extensive range of lifestyle magazines to attract existing and potential advertising customers to purchase advertising package. We will expand our editing and design teams in coping with the increased editing and design workload for publishing our new magazines. We also will continue to expand the distribution network of our magazines and plan to place advertisements in electronic media for increasing our marketing activities and the public awareness of the Group, in order to increase the Group's income such that we can share our fruitful results with investors.

Financial Review

Turnover

Total turnover decreased by approximately 1.5% to approximately HK\$5,269,000 as compared with corresponding period in 2014, primarily because an decrement of advertising income posted by existing advertising customers.

Gross profit and gross profit margin

Gross profit and gross profit margin of the Group were approximately HK\$4,717,000 and 89.5% for the three months ended 31 March 2015 respectively.

Operating expenses

The operating expenses of the Group increased by approximately 121.4% to approximately HK\$7,147,000 as compared with corresponding period in 2014. The increase in the operating expenses was primarily due to increase in donation and more professional fees for the Listing.

Loss attributable to owners of the Company

The Group recorded the loss attributable to owners of the Company for the three months ended 31 March 2015 of approximately HK\$3,391,000 (2014: profit attributable to owners of the Company of approximately HK\$153,000) and the loss per share was 0.51 HK cents (2014: earnings per share was 0.03 HK cents). The decrease was mainly attributable to increase in donation and more professional fees for the Listing.

SHARE OPTION SCHEME

The Company has a share option scheme (the “Share Option Scheme”) which was approved and adopted by the sole shareholder of the Company by way of written resolutions passed on 23 January 2015. No share option has been granted under the Share Option Scheme since its adoption.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

At no time during the period from 16 February 2015 (date of Listing) to 31 March 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from 16 February 2015 (date of Listing) to 31 March 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.

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 the period from 16 February 2015 (date of Listing) to 31 March 2015.

COMPLIANCE OF NON-COMPETITION UNDERTAKING

The Controlling Shareholders have entered into a deed of non-competition on 29 January 2015 (the “Deed of Non-competition”). Details of the Deed of Non-competition are set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus and the non-competition undertaking has become effective from the date of the listing of the Company.

COMPETING INTERESTS

As far as the Directors are aware of, none of the Directors nor the Controlling Shareholders have any interests in a business which competes or may compete with the business of the Group or have any other conflict of interests with the Group during the three months ended 31 March 2015.

INTERESTS OF THE COMPLIANCE ADVISER

Mr. Wong Man Hin Charles was interested in 6.92% of the issued share capital of the Company, Mr. Wong holds the position as managing director of VC Brokerage Limited, a wholly owned subsidiary of the holding company of VC Capital Limited (namely Value Convergence Holdings Limited with stock code: 821). He is also a member of senior management and a non-voting member of the executive committee of Value Convergence Holdings Limited. As at 31 March 2015, as notified by the Company's compliance adviser, VC Capital Limited (the "Compliance Adviser"), save for disclosed and except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 27 March 2014, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM 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 five independent non-executive Directors, namely Mr. Lee Kwok Tung Louis (chairman of the Committee), Mr. Tsang Ho Ka Eugene, Mr. Yu Chon Man, Mr. Liu Kwong Chi Nelson and Ms. Wong Fei Tat. The audit committee has reviewed this announcement.

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 to the GEM Listing Rules.

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 CG 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 is the Chairman and the chief executive officer of the Company. In view of the fact that 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.

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

Hong Kong, 11 May 2015

As at the date of this announcement, the Board comprises Mr. Kwan Shun Keung Timmy, Ms. Yip Tsz Lam, 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 and Ms. Wong Fei Tat as independent non-executive directors.