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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 2016

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 (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 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2016

	Note	Three months ended	
		31 March	
		2016	2015
		HK\$	HK\$
		(Unaudited)	(Unaudited)
Revenue	3	6,382,571	5,269,192
Cost of sales		(7,748,934)	(552,619)
Gross (loss)/profit		(1,366,363)	4,716,573
Other revenue and other net income		12,417	137
Operating expenses		(3,394,590)	(7,147,261)
Loss from operations		(4,748,536)	(2,430,551)
Fair value change on financial assets at fair value through profit or loss		485,529	—
Finance costs		(24,486)	(468,506)
Share of loss of associates		(200,000)	—
Loss before taxation		(4,487,493)	(2,899,057)
Income tax	4	—	(491,576)
Loss for the period attributable to owners of the Company		(4,487,493)	(3,390,633)
Other comprehensive income for the period		—	—
Total comprehensive loss for the period attributable to owners of the Company		(4,487,493)	(3,390,633)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	6	(0.06)	(0.05)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Convertible bonds reserve <i>HK\$</i>	Retained profits/ (accumulated loss) <i>HK\$</i>	Total equity <i>HK\$</i>
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>
Balance at 1 January 2016 (audited)	7,200,000	57,469,914	—	(666,711)	64,003,203
Loss for the period and total comprehensive loss for the period	—	—	—	(4,487,493)	(4,487,493)
Balance at 31 March 2016 (unaudited)	<u>7,200,000</u>	<u>57,469,914</u>	<u>—</u>	<u>(5,154,204)</u>	<u>59,515,710</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 October 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 2016 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 2016 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 2015.

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. REVENUE

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

Revenue 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	
	2016 HK\$ (Unaudited)	2015 HK\$ (Unaudited)
Print media advertising	1,232,300	5,158,465
Outdoor advertising	5,097,343	—
Sales of magazines	52,928	110,727
	<u>6,382,571</u>	<u>5,269,192</u>

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

Income tax recognised in profit or loss:

	Three months ended 31 March	
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current tax — Hong Kong profits tax		
Provision for the period	—	491,576
	<u>—</u>	<u>491,576</u>
	<u>—</u>	<u>491,576</u>

Hong Kong profits tax has been provided at the rate of 16.5% (three months ended 31 March 2015: 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, the Company declared an interim dividend of HK\$4,000,000 (HK\$4.00 per share declared and paid) to its shareholders, 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 dividend has been paid or proposed by the Group for the three months ended 31 March 2016.

6. LOSS PER SHARE

The basic and diluted loss per share for the three months ended 31 March 2016 and 2015 is calculated based on the loss attributable to owners of the Company for the three months ended 31 March 2016 in the amount of HK\$4,487,493 (2015: loss of HK\$3,390,633) and the weighted average of 7,200,000,000 ordinary shares (three months ended 31 March 2015: 6,585,111,111 after adjusting for share subdivision and capitalisation issue in 2015) in issue during the period, calculated as follows:

	Three months ended 31 March	
	2016	2015
Loss attributable to equity holders of the Company	<u>(4,487,493)</u>	<u>(3,390,633)</u>
Weighted average number of ordinary shares	<u>7,200,000,000</u>	<u>6,585,111,111</u>
Basic loss per share	<u>HK\$(0.06) cents</u>	<u>HK\$(0.05) cents</u>

For the three months ended 31 March 2015, 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 three months ended 31 March 2016 were the same because there was no potential ordinary shares outstanding at the period end date.

Diluted and basic loss per share for the three months ended 31 March 2015 were the same 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

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.

On 11 April 2016, a wholly-owned subsidiary of the Company entered into a memorandum of understanding to acquire 51% of equity interests in 廣州啟匯營銷策劃有限公司 (Guangzhou Qihui Marketing and Planning Company Limited) (the “Target Company”) for a consideration of RMB6,000,000 (the “Possible Acquisition”).

The Target Company is principally engaged in the mobile phone apps development and provision of app solutions for its clients. It is also involved in WeChat planning, production and promotion, as well as research in blending WeChat with corporate marketing and planning.

Whilst the Group remains focused on developing its existing businesses, the Directors consider that the Possible Acquisition if materialised will provide an opportunity for the Company to expand its existing business portfolio into a line of business with growth potential and in line with our existing business.

Financial Review

Revenue

Total revenue increased by approximately 21.1% from approximately HK\$5,269,000 for the three months ended 31 March 2015 to approximately HK\$6,383,000 for the three months ended 31 March 2016. It was mainly because outdoor advertising business, which was set up in August 2015, generated approximately HK\$5,097,000 revenue for the three months ended 31 March 2016, while there was reduction in number of clients in printed media advertising business and thus, revenue generated from which decreased from approximately HK\$5,158,000 for the three months ended 31 March 2015 to approximately HK\$1,232,000 for the three months ended 31 March 2016. Revenue from sales of magazines decreased from approximately HK\$111,000 for the three months ended 31 March 2015 to approximately HK\$53,000 for the three months ended 31 March 2016.

Gross Loss

The Group turned from a gross profit of approximately HK\$4,717,000 for the three months ended 31 March 2015 to a gross loss of approximately HK\$1,366,000 for the three months ended 31 March 2016.

Operating expenses

The operating expenses of the Group decreased by approximately 52.5% from approximately HK\$7,147,000 for the three months ended 31 March 2015 to approximately HK\$3,395,000 for the three months ended 31 March 2016. The decrease in the operating expenses was primarily due to absence of professional fees for Listing and donation incurred in the three months ended 31 March 2015.

Loss Attributable to Owners of the Company

During the three months ended 31 March 2016, the Group's loss attributable to owners of the Company increased to approximately HK\$4,487,000 from approximately HK\$3,391,000 for the three months ended 31 March 2015. This was mainly attributable to (i) the reduction in number of clients; and (ii) the loss derived from outdoor advertising business.

SHARE OPTION SCHEME

The Company has a share option scheme (the "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 Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the three months ended 31 March 2016 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 three months ended 31 March 2016, 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 concerning securities transaction by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiry, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding Director's securities transactions during the three months ended 31 March 2016.

COMPLIANCE OF NON-COMPETITION UNDERTAKING

The controlling shareholders have entered into a deed of non-competition on 29 January 2015 (the "Deed"). Details of the Deed 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.

INTERESTS IN COMPETING BUSINESS

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 2016.

INTERESTS OF THE COMPLIANCE ADVISER

Mr. Wong Man Hin Charles ("Mr. Wong") 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 2016, as notified by the Company's compliance adviser, VC Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser on 27 March 2014, neither the Compliance Adviser nor its directors, employees or close 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 (the "Committee") with the written terms of reference in compliance with the GEM Listing Rules. As at the date of this announcement, the Committee consists of three independent non-executive Directors, namely Ms. Wong Fei Tat (chairman of the Committee), Mr. Tsang Ho Ka Eugene and Mr. Pang Siu Yin. The Committee has reviewed the unaudited consolidated financial results of the Group for the three months ended 31 March 2016.

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 the Company has complied with the CG Code during the three months ended 31 March 2016 and 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. 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, 13 May 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. Liu Kwong Chi Nelson as non-executive director; and Mr. Tsang Ho Ka Eugene, 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>.