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 2017

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 (the "Board") of directors (the "Directors") 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 2017 together with the comparative unaudited figures for the corresponding period in 2016 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

		Three months ended 31 March	
		2017	2016
	Note	***HK$***	*HK$*
		(Unaudited)	(Unaudited)
Revenue	3	**55,413,653**	6,382,571
Cost of sales		**(53,810,343)**	(7,748,934)
Gross profit/(loss)		**1,603,310**	(1,366,363)
Other income		**121,166**	12,417
Operating expenses		**(5,946,891)**	(3,394,590)
Loss from operations		**(4,222,415)**	(4,748,536)
Fair value change on financial assets at fair value through profit or loss		**(206,043)**	485,529
Finance costs		**(991,652)**	(24,486)
Share of loss of associates		**—**	(200,000)
Gain on disposal of associates		**2,000,000**	—
Loss before taxation		**(3,420,110)**	(4,487,493)
Income tax expenses	4	**(87,972)**	—
Loss for the period		**(3,508,082)**	(4,487,493)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operation		**(48,730)**	—
Total comprehensive expense for the period		**(3,556,812)**	(4,487,493)
Loss for the period attributable to:			
Owners of the Company		**(2,922,390)**	(4,487,493)
Non-controlling interests		**(585,692)**	—
		(3,508,082)	(4,487,493)
Total comprehensive expenses attributable to:			
Owners of the Company		**(2,978,647)**	(4,487,493)
Non-controlling interests		**(578,165)**	—
		(3,556,812)	(4,487,493)
		HK cents	*HK cents*
Loss per share			
Basic and diluted	6	**(0.03)**	(0.06)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Share capital *HK$*	Share premium *HK$*	Exchange reserve *HK$*	Accumulated losses *HK$*	Total *HK$*	Non-controlling interest *HK$*	Total *HK$*
Balance at 1 January 2016 (audited)	7,200,000	57,469,914	—	(666,711)	64,003,203	—	64,003,203
Total comprehensive expense for the period	—	—	—	(4,487,493)	(4,487,493)	—	(4,487,493)
Balance at 31 March 2016 (unaudited)	7,200,000	57,469,914	—	(5,154,204)	59,515,710	—	59,515,710
Balance at 1 January 2017 (audited)	8,640,000	94,330,810	(1,844)	(26,959,735)	76,009,231	(1,203,324)	74,805,907
Loss for the period	—	—	—	(2,922,390)	(2,922,390)	(585,692)	(3,508,082)
Other comprehensive (expense) income for the period	—	—	(56,257)	—	(56,257)	7,527	(48,730)
Total comprehensive expense for the period	—	—	(56,257)	(2,922,390)	(2,978,647)	(578,165)	(3,556,812)
Balance at 31 March 2017 (unaudited)	8,640,000	94,330,810	(58,101)	(29,882,125)	73,030,584	(1,781,489)	71,249,095

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 have been listed on the GEM since 16 February 2015 (the "Listing").

The unaudited consolidated financial results of the Group for the three months ended 31 March 2017 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 2017 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 2016.

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 Group is principally engaged in (i) sales and free distribution of Chinese language lifestyle magazines, the sales of advertising space in the magazines; (ii) provision of outdoor advertising services; (iii) development and operating e-commerce trading platform; (iv) trade of liquefied natural gas (the "LNG") and related products; and (v) mobile phone apps development, provision of apps solutions and provision of online marketing planning and production.

The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Three months ended 31 March	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Print media advertising income	**226,191**	1,232,300
Outdoor advertising income	**5,149,338**	5,097,343
Sales of magazines	**41,412**	52,928
Trading of LNG and related products	**47,484,521**	—
Provision of mobile app development service	**2,512,191**	—
	55,413,653	6,382,571

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

Income tax recognised in profit or loss:

	Three months ended 31 March	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	**(38,605)**	—
People's Republic of China ("PRC")	**(49,367)**	—
	(87,972)	—

Hong Kong profits tax has been provided at the rate of 16.5% (three months ended 31 March 2016: 16.5%) on the estimated assessable profit during the period arising in or derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both period.

5. DIVIDEND

No dividend has been paid or proposed by the Group for the three months ended 31 March 2017 (three months ended 31 March 2016: nil).

6. LOSS PER SHARE

The basic and diluted loss per share for the three months ended 31 March 2017 and 2016 is calculated based on the loss attributable to owners of the Company for the three months ended 31 March 2017 in the amount of HK$2,922,390 (three months ended 31 March 2016: loss of HK$4,487,493) and the weighted average of 8,640,000,000 ordinary shares (three months ended 31 March 2016: 7,200,000,000) in issue during the period, calculated as follows:

	Three months ended 31 March	
	2017	2016
Loss attributable to equity holders of the Company	**(2,922,390)**	(4,487,493)
Weighted average number of ordinary shares	**8,640,000,000**	7,200,000,000
Basic loss per share	**HK$(0.03) cents**	HK$(0.06) cents

Diluted and basic loss per share for the three months ended 31 March 2017 and 2016 were the same because there was no potential ordinary shares outstanding at the period end date.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

In March 2017, the Group completed the disposal of 20% equity interests in Strategist Media Holdings Limited (the "SMHL"). The consideration was HK$2.0 million.

In March 2017, the Group completed the acquisition of 100% equity interests in i-Lend Finance Limited ("i-Lend"). The consideration was HK$450,000. i-Lend is a licensed money lender that is regulated under the Money Lenders Ordinance in Hong Kong. The Directors consider that i-Lend can broaden the Group's revenue source and leveraged with the existing business.

On 28 April 2017, the Company and a potential purchaser entered into a memorandum of understanding (the "MOU") in relation to the potential disposal of Lasermoon Limited, a wholly-owned subsidiary of the Company, in a bid to streamlining the operations of the Group. The parties to the MOU shall use reasonable endeavours to enter into a definitive agreement within thirty days from the date of the MOU or on such later date as may be agreed between the potential purchaser and the Company. Due diligence review on Lasermoon Limited is under way.

In May 2017, we will suspend the publication of two of the Group's magazines, Pets Buyer and Bplus. The Group does not preclude the possibility of resuming publication of the same if the economy and the business environment improve in the future. The Group will reallocate its resources and focus on strengthening the development of its other businesses.

The Group will regularly review the profile of our magazines and take appropriate cost control measures. The Group will also continue to integrate its business units and regularly review the profile of our business units to enhance return to shareholders.

Financial Review

Revenue

Total revenue increased by approximately 768.2% from approximately HK$6,383,000 for the three months ended 31 March 2016 to approximately HK$55,414,000 for the three months ended 31 March 2017. It was mainly attributable to the Group's new trading of LNG and related products business which generated approximately HK$47,485,000 revenue for the three months ended 31 March 2017, and revenue from provision of mobile app development service which generated approximately HK$2,512,000 revenue for the three months ended 31 March 2017. However, due to reduction in number of clients in print media advertising business, revenue generated therefrom decreased from approximately HK$1,232,000 for the three months ended 31 March 2016 to approximately HK$226,000 for the three months ended 31 March 2017.

Cost of Sales

The Group's major costs of sales included (i) costs of LNG and related products; and (ii) transportation and outdoor billboard rental and licence fee payable to the taxi owners, minibus owners and billboard owners for provision of outdoor advertising services.

Cost of sales increased from approximately HK$7,749,000 for the three months ended 31 March 2016 to approximately HK$53,810,000 for the three months ended 31 March 2017, representing an increase of approximately 594.4%. The increase in cost of sales was mainly attributable to the cost derived from LNG and related products business.

Gross Profit/Loss

The Group turned from a gross loss of approximately HK$1,366,000 for the three months ended 31 March 2016 to a gross profit of approximately HK$1,603,000 for the three months ended 31 March 2017. The Group's gross profit was mainly attributable to the gross profit derived from outdoor advertising business.

Operating Expenses

The operating expenses of the Group increased by approximately 75.2% from approximately HK$3,395,000 for the three months ended 31 March 2016 to approximately HK$5,947,000 for the three months ended 31 March 2017. The increase in the operating expenses was primarily attributable to (i) new trading of LNG and related products business; and (ii) provision of mobile app development service.

Gain on Disposal of Associates

In March 2017, the Group completed the disposal of 20% equity interests in SMHL. The consideration and the gain on disposal were HK$2.0 million.

Loss Attributable to Owners of the Company

During the three months ended 31 March 2017, the Group's loss attributable to owners of the Company decreased to approximately HK$2,922,000 from approximately HK$4,487,000 for the three months ended 31 March 2016. This was mainly attributable to (i) gain on disposal of SMHL; and (ii) reduction in loss derived from outdoor advertising business. But it was offset by (i) the loss generated by the new trading of LNG and related products business and provision of mobile app development service; and (ii) the amortization of promissory notes measured at amortised cost for the three months ended 31 March 2017.

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 2017 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 2017, 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 5.46 to 5.68 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 2017.

NON-COMPETITION UNDERTAKINGS

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.

The Company did not have any controlling Shareholder as at 31 March 2017.

INTERESTS IN COMPETING BUSINESS

Interests of Directors in businesses which might compete with the Group during the three months ended 31 March 2017 were as follows:

Mr. Lan Zhi Cheng, who has been appointed as an executive Director since 8 September 2016, is also an executive director of the holding company of Huge Mind Investment Limited ("Huge Mind"), which is engaged in money lending business in Hong Kong. Although the business nature of Huge Mind is similar to that of i-Lend, a newly acquired money lending business which has not commenced operations, the two companies are of different scale and are operating independently. Therefore, the Board is of the view that the businesses of Huge Mind did not compete with the businesses of the Group.

Mr. Tsang Ho Ka Eugene, who has been appointed as an independent non-executive Director since 23 January 2015, is also the managing director of New Horizon Capital (Group) Limited and New Horizon Finance (HK) Limited (the "New Horizons"), both of which are principally engaged in the business including private equity investment in Hong Kong, the PRC and overseas, and New Horizon Finance (HK) Limited also engaged in the money lending business in Hong Kong. Although the business nature of the New Horizons is partially similar to that of i-Lend, a newly acquired money lending business which has not commenced operations, the New Horizons and i-Lend are of different scale and are operating independently. Therefore, the Board is of the view that the businesses of the New Horizons did not compete with the businesses of the Group.

Mr. Pang Siu Yin, who has been appointed as an independent non-executive Director since 24 July 2015, is also an independent non-executive director of Affluent Partners Holding Limited ("Affluent Partners") (HKEx Stock Code: 1466), which is also engaged in, among others, money lending business in Hong Kong. Although the business nature of Affluent Partners is partially similar to that of i-Lend, a newly acquired money lending business which has not commenced operations, Affluent Partners and i-Lend are of different scale and are operating independently. Therefore, the Board is of the view that the businesses of Affluent Partners did not compete with the businesses of the Group.

Save as disclosed above, as far as the Directors are aware of, none of the Directors 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 2017.

INTERESTS OF THE COMPLIANCE ADVISER

Mr. Wong Man Hin Charles was interested in 19.72% 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 2017, 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 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 2017.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. The Directors consider, the Company has complied with the Corporate Governance Code (the "Code") for the reporting period, except for Code Provision A.2.1.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same person. The Company currently has no chairman or CEO. Decisions of the Company are made collectively by the executive Directors. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

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 the Shareholders and investors.

By Order of the Board
Winto Group (Holdings) Limited
Mak Wai Kit
Executive Director

Hong Kong, 8 May 2017

As at the date of this announcement, the Board comprises Mr. Mak Wai Kit, Ms. Law Shiu Wai and Mr. Lan Zhi Cheng 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.