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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)

MAJOR TRANSACTION

Financial Adviser to the Company



Gram Capital Limited
嘉林資本有限公司

THE DISPOSAL

Reference is made to the announcement of the Company dated 28 April 2017 in relation to the MOU.

The Board is pleased to announce that, on 5 June 2017 (after trading hours), the Company (as the vendor) and the Purchaser entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Share at the Consideration of HK\$36 million.

GEM LISTING RULES IMPLICATION

As the relevant percentage ratios of the Disposal calculated pursuant to Rule 19.07 of the GEM Listing Rules exceed 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the approval by the Shareholders under Chapter 19 of the GEM Listing Rules.

An EGM will be convened for the purpose of considering and, if thought fit, approving the Disposal Agreement and the transactions contemplated thereunder.

A circular containing details regarding, among others, (i) further details of the Disposal Agreement and the transactions contemplated thereunder; (ii) the valuation report of the Target Group; and (iii) the financial and other information of the Group, will be despatched to the Shareholders in accordance with the GEM Listing Rules as soon as practicable, which is expected to be on or before 26 June 2017.

INTRODUCTION

Reference is made to the announcement of the Company dated 28 April 2017 in relation to the MOU.

The Board is pleased to announce that, on 5 June 2017 (after trading hours), the Company (as the vendor) and the Purchaser entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Share at the Consideration of HK\$36 million.

THE DISPOSAL

I. The Disposal Agreement

Set out below are the principal terms of the Disposal Agreement:

Date

5 June 2017

Parties involved

- (i) the Company; and
- (ii) the Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser and its associates are Independent Third Parties and do not hold any Shares or other convertible securities in the Company as at the date of this announcement; and (ii) there was no previous transaction or business relationship among the Company, the Purchaser and/or its associates in the previous 12 months which would result in aggregation under Rule 19.22 of the GEM Listing Rules.

Subject matter

Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Share, representing the entire equity interest in the Target Company.

Upon Completion, the Target Company and its subsidiaries will cease to be subsidiaries of the Company and their respective financial results will no longer be consolidated into the financial results of the Group.

Consideration

The Consideration for the Disposal is HK\$36 million and shall be satisfied by the Purchaser as follows:

- (i) as to HK\$3 million, within ten Business Days from the date of the Disposal Agreement as deposit and part payment of the Consideration in cash to be paid or caused to be paid by the Purchaser in immediately available funds by wire transfer to an account or accounts that have been designated by the Company at least three Business Days prior to the Purchaser making such payment; and
- (ii) as to HK\$33 million, on Completion Date by the Purchaser's assumption of the rights and obligations of the Company under the Promissory Notes in accordance with the terms and conditions of the Deed of Novation and Assignment.

The Consideration was arrived after arm's length negotiations between the Company and the Purchaser after taking into account the preliminary valuation of the Target Group of approximately HK\$35 million as at 31 March 2017 prepared by an independent valuer based on income approach.

Principal assumptions applied in the aforesaid valuation includes the following:

- (i) the Target Group is expected to run the existing LNG trading platforms;
- (ii) the Target Group is expected to develop the proprietary trading business for energy and others related products;
- (iii) the Target Group is expected to obtain proper financing to support its future expansion;
- (iv) size premium is applied in the calculation of discount rate to reflect the effect of firm size on return;
- (v) lack of marketability discount is applied in the valuation to compensate for the potential difficulty of selling the equity shares; and
- (vi) there is no substantial change of natural gas price in the projection period.

Details of the final valuation report on the Target Group and the relevant comfort letters as required under Rule 19.62 of the GEM Listing Rules will be set out in the circular to be despatched to the Shareholders in respect of the Disposal.

The Promissory Notes were issued by the Company to Goldlink Capital on 28 June 2016 to settle part of the consideration payable by the Company to Goldlink Capital upon completion of the acquisition of the entire issued share capital of the Target Company (the "**Previous Acquisition**") on 28 June 2016. By the execution of the Deed of Novation and Assignment, all rights and obligations under each of the Promissory Notes shall be assigned and novated to the Purchaser and the principal amount of each of the Promissory Notes payable by the Company to Goldlink Capital shall be reduced to zero.

Profit guarantee

Under the Deed of Novation and Assignment, the Company shall, with effect immediately after Completion, assign the rights of the Company under the Previous Acquisition Agreement to the Purchaser so as to extend the right to a profit guarantee given by Goldlink Capital in favour of the Company under the Previous Acquisition Agreement to the Purchaser.

Under the Previous Acquisition Agreement, Goldlink Capital guaranteed to the Company that the consolidated net profit after tax of the Target Group (based on its audited financial statements) for each of the two financial years ending 31 December 2017 and 31 December 2018 shall not be less than HK\$3,500,000 for each respective year.

- (i) in the event that the guaranteed profit has been met or satisfied, no compensation shall be paid by Goldlink Capital to the Company;

- (ii) in the event that the Target Group records a consolidated profit but fails to meet the guaranteed profit (the shortfall being the difference between the guaranteed profit and the actual profit) in any of the two financial years ending 31 December 2017 and 31 December 2018, Goldlink Capital shall pay the Company a compensation in cash, within 30 days upon the Company serving a written notice to Goldlink Capital after the Company receiving the audited consolidated financial statement of the Target Group on or before 31 March 2018 and 31 March 2019 respectively, or such other dates as the parties to the Previous Acquisition Agreement may from time to time mutually agree in writing, of an amount equivalent to 2.5 times the shortfall for the corresponding year;
- (iii) in the event of any excess between the guaranteed profit and actual profit earned by the Target Group in the financial year ending 31 December 2017, the amount in excess shall be carried forward as an additional amount of the actual profit earned by the Target Group in the following financial year and no compensation shall be paid by Goldlink Capital to the Company in the financial year ending 31 December 2017;
- (iv) in the event that the Target Group has not earned any profit or recorded a loss in any of the two financial years ending 31 December 2017 and 31 December 2018, Goldlink Capital shall pay the Company a compensation in cash, within 30 days upon the Company serving a written notice to Goldlink Capital after the Company receiving the audited consolidated financial statement of the Target Group on or before 31 March 2018 and 31 March 2019 respectively, or such other dates as the parties to the Previous Acquisition Agreement may from time to time mutually agree in writing, of an amount of HK\$8,750,000, equivalent to 2.5 times the respective guaranteed profit for the corresponding year;
- (v) in the event that Goldlink Capital has to, but fails to, pay the Company compensation in cash pursuant to (ii) and (iv) as set out above, Goldlink Capital shall pay the Company an interest at a rate of 3% p.a. calculated with reference to such unpaid amount of compensation, until Goldlink Capital has repaid all the amount due.

Conditions precedent

Completion is conditional upon the Company having obtained the approval of the Shareholders at an extraordinary general meeting of the Company for the transactions contemplated under the Disposal Agreement in accordance and compliance with the GEM Listing Rules.

If the above condition has not been satisfied on or before the Long-Stop Date, or such later date as the Company and the Purchaser may agree in writing, the Disposal Agreement shall automatically lapse and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. The above condition cannot be waived by any party to the Disposal Agreement.

Completion

Upon compliance with or fulfilment of the condition set out in the sub-section headed "Conditions precedent" above, Completion shall take place on the Completion Date at the principal place of business of the Company in Hong Kong at 5:00 p.m., or such other time and place as the Company and the Purchaser may agree.

II. Deed of Novation and Assignment

Set out below are the principal terms of the Deed of Novation and Assignment:

Date

5 June 2017

Parties involved

- (i) the Company;
- (ii) the Purchaser; and
- (iii) Goldlink Capital

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Goldlink Capital and their respective associates are Independent Third Parties, save and except for that as at the date of this announcement, (i) Mr. Cheng Ming Kit (being a director of the Goldlink Capital and an executive director and co-chairman of the board of the sole shareholder of Goldlink Capital, namely, Blue Sky) indirectly holds 498,000,000 Shares, representing approximately 5.76% of the total issued share capital of the Company; and 1,164,627,296 Blue Sky Shares, representing approximately 11.86% of the total issued share capital of Blue Sky; and (ii) the Company holds 6,400,000 Blue Sky Shares, representing approximately 0.07% of the total issued share capital of Blue Sky.

Novation

With effect immediately after Completion, the Company shall novate to the Purchaser all obligations and liabilities of the Company under or in relation to each of the Promissory Notes (the "**PN Novation**").

Assumption of liabilities and obligations

With effect immediately after Completion, the Purchaser shall assume all obligations and liabilities of the Company under or in relation to each of the Promissory Notes. The Purchaser undertakes to perform all obligations and liabilities of the Company under or in relation to each of the Promissory Notes and discharge each of the amount payable under or in relation to each of the Promissory Notes.

Release of the Company

Goldlink Capital consents to the novation set forth in the sub-sections headed "Novation" and "Assumption of liabilities and obligations" above and absolutely and unconditionally releases and discharges the Company from all obligations, liabilities, claims and demands whatsoever, howsoever arising under or in relation to the Promissory Notes immediately after Completion.

Assignment

With effect immediately after Completion, the Company as legal and beneficial owner assigns to the Purchaser absolutely and the Purchaser agrees to take an assignment of all the Company's right, title and interest in each of the Promissory Notes and the Previous Acquisition Agreement together with the full benefit and advantage attaching thereto.

Notice

Goldlink Capital takes notice of and consents to the assignment set forth in the subsection headed "Assignment" above.

III. The Promissory Notes

The principal terms of the Promissory Notes are summarised as follows:

Principal amount:	Initial Tranche:	HK\$24,250,000
	Second Tranche:	HK\$8,750,000
Date of issue:	28 June 2016	
Maturity date(s):	Initial Tranche:	The twenty-fourth (24th) month of the date of issue
	Second Tranche:	The thirty-sixth (36th) month of the date of issue
Interest:	Nil	
Transferability and Restrictions:	(i) Any transfer of the Promissory Notes shall be in respect of the whole or any part (in multiples of HK\$500,000 except the remaining balance) of the respective principal amount of the Promissory Notes; and	
	(ii) The Promissory Notes must not be transferred to any person, firm or company which is a connected person (as defined in the GEM Listing Rules) of the Company except in compliance with the applicable requirements under the GEM Listing Rules and the Takeovers Code.	
Early Redemption:	The Company may redeem all or part of the Promissory Notes at any time prior to the respective maturity date at 100% of their face value respectively, by giving the holder of the Promissory Notes not less than seven (7) days' prior written notice specifying the amount and date of prepayment without any penalty, prepayment or other fees.	
Application for listing:	No application will be made by the Company to the Stock Exchange for the listing of the Promissory Notes.	

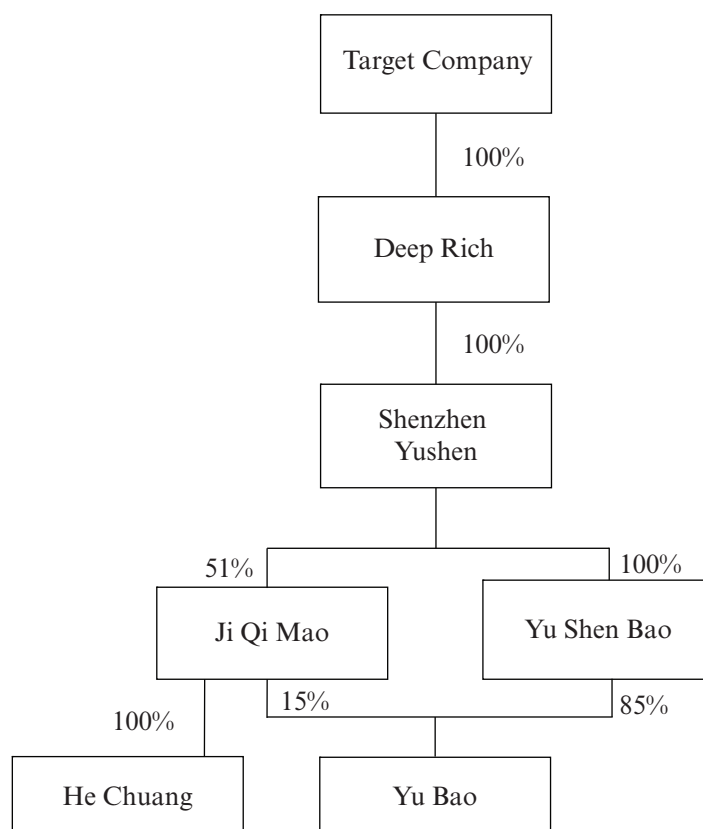
INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in Hong Kong with limited liability.

INFORMATION ON THE TARGET GROUP

Shareholding structure of the Target Group

Set out below is the shareholding structure of the Target Group as at the date of this announcement:



Target Company

The Target Company is a company incorporated in the BVI on 18 November 2015 with limited liability and principally engaged in investment holding. As at the date of this announcement, the Target Company is a direct wholly-owned subsidiary of the Company.

Deep Rich

Deep Rich is a company incorporated in Hong Kong on 1 September 2015 with limited liability and principally engaged in investment holding. As at the date of this announcement, Deep Rich is a direct wholly-owned subsidiary of the Target Company.

Shenzhen Yushen

Shenzhen Yushen is a company incorporated in the PRC on 9 December 2015 with limited liability and principally engaged in investment holding. As at the date of this announcement, Shenzhen Yushen is a direct wholly-owned subsidiary of Deep Rich.

Yu Shen Bao

Yu Shen Bao is a company incorporated in the PRC on 14 June 2016 with limited liability and principally engaged in investment holding. As at the date of this announcement, Yu Shen Bao is a direct wholly-owned subsidiary of Shenzhen Yushen.

Ji Qi Mao

Ji Qi Mao is a company incorporated in the PRC on 21 January 2015 with limited liability and principally engaged in internet information technology development, e-commerce, sales, installation, testing and maintenance of information system, and development of software. As at the date of this announcement, Ji Qi Mao is owned as to 51% by the Company and 49% by an Independent Third Party.

Ji Qi Mao has its business operations in Yinchuan, Ningxia, the PRC with 11 staff members. The business operations of Ji Qi Mao include the trading of LNG for vehicles, and the development of trading platforms including the operation of “Ji Qi Mao Platform” and “Jia Qi Mao Platform” (collectively, the “**Platforms**”). The Platforms focus on consumer needs, adopting the integrated online and offline, virtual and reality approaches to connect the upstream, midstream and downstream of LNG industry chain. The Platforms aim to convert the traditional business models to “Ji Qi Mao LNG business model” to reduce the excessive transaction costs arising from the shortage of information, finance and logistics by integrating the flows of information, logistics and capital. The expected advantages of the Platforms are traceable LNG transactions, safer, fairer and transparent supply chains, and effective integration and collaboration of industrial chains.

The LNG business model of the Platforms aims at connecting the upstream, midstream and downstream of LNG industry chain and unifying the flows of information, capital and logistics, especially in the liquefaction of LNG, delivery to consumers, transportation and logistics for industrial applications, transformation from offline traditional sales to online transactions, and the transformation from terminal consumption to process control.

The Platforms also target at improving the transaction efficiency in LNG industry by providing domestic coverage of information in LNG industry, involving tanker geographic information systems, global positioning system, integrated backhaul tanker resources, transactions reviews and approval. The business model is also expected to reduce the unloaded tankers ratio, by adopting five new ways of conducting transactions, through Web (Internet), Wap (mobile Internet), Apps (mobile client), WeChat (service account) and personal computer client, combined with value-added services involving the Internet of Things, cloud computing, big data and supply chain finance.

Yu Bao

Yu Bao is a company incorporated in the PRC on 20 June 2016 with limited liability and principally engaged in operating an e-commerce trading platform of LNG. Yu Bao is a joint venture established by Yu Shen Bao and Ji Qi Mao. As at the date of this announcement, Yu Bao is owned as to 85% by Yu Shen Bao and 15% by Ji Qi Mao.

He Chuang

He Chuang is a company incorporated in the PRC on 9 March 2016 with limited liability and principally engaged in the trading of LNG and related products. As at the date of this announcement, He Chuang is a direct wholly-owned subsidiary of Ji Qi Mao.

Besides of developing the proprietary business for energy and other related products, He Chuang also plans to distribute and trade LNG as a wholesaler and sales agent to industrial users through direct supply facilities.

Financial information of the Target Group

Set out below is the unaudited consolidated financial information of the Target Group for the period from 18 November 2015 (being the incorporation date of the Target Company) to 31 December 2015 and for the year ended 31 December 2016 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2016	For the period from 18 November 2015 (being the incorporation date of the Target Company) to 31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	(2,546)	(591)
Loss after tax	(2,590)	(591)

The unaudited net liabilities of the Target Group was approximately HK\$2.55 million as at 31 March 2017.

REASONS FOR THE DISPOSAL

The Group is engaged in the (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 operation of e-commerce trading platform; (iv) trade of LNG and related products; and (v) development of mobile phone apps, provision of apps solutions and provision of online marketing planning and production.

The Previous Acquisition in 2016 was an attempt of the Group to diversify its business into the LNG related business. As mentioned in the announcement of the Company dated 26 June 2016 regarding the Previous Acquisition, the Target Group's business requires significant capital investment in its current development and future operation. After due consideration, the Board considers that the Disposal represents an opportunity for the Group to realise its investment in the Target Group and avoid substantial amount of further investment. Given the PN Novation, the liability level of the Group will also be improved after Completion.

It is expected that the Company will record an estimated gain of approximately HK\$2.8 million (subject to final audit) from the Disposal upon Completion, being calculated based on (i) the amount of the Consideration; (ii) the assets and liabilities attributable to the Target

Group (including goodwill) under the unaudited consolidated management account of the Group as at 31 March 2017; and (iii) the relevant expenses and transaction costs caused by the Disposal.

The Group intends to use the net proceeds from the Disposal as additional working capital for the Group and to fund the Group's future investments if and when suitable opportunities arise.

Taking into account the abovementioned factors, the Directors consider that the terms and conditions of the Disposal Agreement are fair and reasonable and on normal commercial terms and the Disposal is in the interests of the Company and Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratios of the Disposal calculated pursuant to Rule 19.07 of the GEM Listing Rules exceed 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the approval by the Shareholders under Chapter 19 of the GEM Listing Rules.

An EGM will be convened for the purpose of considering and, if thought fit, approving the Disposal Agreement and the transactions contemplated thereunder.

A circular containing details regarding, among others, (i) further details of the Disposal Agreement and the transactions contemplated thereunder; (ii) the valuation report of the Target Group; and (iii) the financial and other information of the Group, will be despatched to the Shareholders in accordance with the GEM Listing Rules as soon as practicable, which is expected to be on or before 26 June 2017.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Blue Sky”	Beijing Gas Blue Sky Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are primary listed on the main board of the Stock Exchange and secondary listed on Singapore Exchange Limited
“Blue Sky Shares”	ordinary share(s) in the issued and unissued capital of Blue Sky
“Board”	the board of Directors
“Business Day(s)”	a day on which commercial banks are open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.)
“BVI”	the British Virgin Islands

“Company”	Winto Group (Holdings) Limited, a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on GEM (stock code: 8238)
“Completion”	completion of the Disposal
“Completion Date”	the third Business Day after the date of fulfillment of the conditions precedent as set out in the Disposal Agreement
“Consideration”	the consideration for the Disposal in the amount of HK\$36,000,000
“Deed of Novation and Assignment”	the deed of novation and assignment entered into between the Company, the Purchaser and Goldlink Capital on 5 June 2017 in respect of the novation and assignment of certain rights and obligations of the Company under the Previous Acquisition Agreement and the Promissory Notes to the Purchaser
“Deep Rich”	Deep Rich Limited (裕深有限公司), a company incorporated in Hong Kong with limited liability
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Share pursuant to the Disposal Agreement
“Disposal Agreement”	the agreement dated 5 June 2017 entered into between the Company and the Purchaser in relation to the Disposal
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Goldlink Capital”	Goldlink Capital Limited, a company incorporated in the BVI with limited liability
“Group”	the Company and its subsidiaries
“He Chuang”	寧夏中際合創能源有限公司 (Ning Xia Zhong Ji He Chuang Energy Company Limited*), a company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) (if applicable) which are independent of the Company and its connected persons
“Ji Qi Mao”	寧夏集氣貓網絡科技有限公司 (Ning Xia Ji Qi Mao Network Technology Company Limited*), a company incorporated in the PRC with limited liability

“Long-Stop Date”	31 July 2017, or such other date as may be agreed between the Purchaser and the Company in writing
“LNG”	liquefied natural gas
“MOU”	the memorandum of understanding dated 28 April 2017 entered into between the Company and the Purchaser in relation to the Disposal
“PRC”	the People’s Republic of China
“Previous Acquisition Agreement”	the sale and purchase agreement dated 24 June 2016 entered into between the Company and Goldlink Capital in respect of the acquisition of the entire issued share capital of the Target Company, which was completed on 28 June 2016
“Promissory Notes”	the promissory notes in the aggregate principal amount of HK\$33,000,000 issued by the Company on 28 June 2016 in favour of Goldlink Capital in two separate tranches as partial settlement of the consideration under the Previous Acquisition Agreement
“Purchaser”	Luck Ocean Limited, a company incorporated in Hong Kong with limited liability
“Sale Share”	the one ordinary share of the Target Company, representing 100% of the issued share capital of the Target Company
“Share(s)”	ordinary share(s) in the issued and unissued capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Shenzhen Yushen”	深圳裕深能源發展有限公司 (Shenzhen Yu Shen Energy Development Company Limited*), a company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
“Target Company”	Lasermoon Limited, a company incorporated in BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“Yu Bao”	深圳裕寶網絡有限公司 (Shenzhen Yu Bao Network Company Limited*), a company incorporated in the PRC with limited liability
“Yu Shen Bao”	深圳裕深寶科技有限公司 (Shenzhen Yu Shen Bao Technology Company Limited*), a company incorporated in the PRC with limited liability

“%” or “per cent.” percentage or per centum

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

Hong Kong, 5 June 2017

As of the date hereof, 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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>.

* *For identification purposes only*