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WINTO GROUP (HOLDINGS) LIMITED
惠陶集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8238)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Reference is made to the annual report of Winto Group (Holdings) Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2023 ("**FY2023**") published on 30 April 2024 (the "**2023 Annual Report**"). Unless otherwise defined in this announcement or the context requires, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

The Company would like to provide the following supplemental information to the Shareholders and potential investors of the Company which should be read in conjunction with the 2023 Annual Report.

IMPAIRMENT LOSS

As disclosed in the 2023 Annual Report, the Company recognised impairment loss on trade and other receivables recognised under the expected credit loss model of approximately HK$11,830,000 (the "**Impairment**") during FY2023, as compared with approximately HK$3,899,000 as at 31 December 2022.

The breakdown of trade receivables, including balances that were credit impaired and assessed individually

Below is the breakdown of trade receivables under the impairment assessment:

Aged Band	As at 31 December 2023 Gross Carrying Amount	Weighting	As at 31 December 2022 Gross Carrying Amount	Weighting
	HK$'000		*HK$'000*	
Current	3,419	8.3%	11,072	29.2%
1 to 30 days past due	554	1.3%	2,211	5.8%
31 to 90 days past due	433	1.1%	4,333	11.4%
90 days to 360 days past due	11,634	28.2%	12,590	33.2%
Over 360 days past due	21,664	52.6%	7,400	19.5%
Identified bad debts	3,502	8.5%	331	0.9%
Total	41,206	100.0%	37,937	100.0%

Loss rates and/or provision matrices on the balances assessed collectively and reasons where there was significant change in the loss rates from the previous year

The weighted average loss rate on the balances assessed collectively shown as below:

Aged Band	As at 31 December 2023	As at 31 December 2022
	Weighted average loss rate	*Weighted average loss rate*
Current	1.49%	0.76%
1 to 30 days past due	7.76%	1.09%
31 to 90 days past due	9.47%	1.52%
90 days to 360 days past due	16.54%	2.67%
Over 360 days past due	47.12%	41.88%
Identified bad debts	100.00%	100.00%
Total	38.27%	10.39%

The increase in impairment was primarily attributed to longer aging compared with that of the immediately preceding financial year. A large number of trade receivables were long overdue and remained unsettled as at 31 December 2023 due to the slow recovery of market performance and the structural change of the publication and advertisement market in Macau, which was not anticipated at the time of entering into the relevant sales contracts with the customers by the Company.

As at 31 December 2023, the Group had trade receivables with gross amount of approximately HK$3,502,000 being credit impaired, which accounted for the trade receivables of 57 customers. Among the 57 customers, and based on the Directors' best knowledge, information and belief having made all reasonable enquiries, the non-settlement of payments by these customers (save for one customer which has been dissolved in 2023) was primarily due to the impact of the COVID-19 and the global economic downturn, which have affected the financial conditions of many entities, including that of the said customers.

Prior to entering into agreements or sales contracts with the customers, the Group conducted a credit assessment on the every customer, which includes (i) conducting background search on the respective customers; and (ii) obtaining and reviewing information relating to the financial background and proof of funds of the respective customers. The credit assessment reports did not contain any material findings which would suggest that entering into agreements or sales contracts with the customers were against the interest of the Company. Based on the above, the Board considered that at the time of entering into agreements or sales contracts with the customers, the Group had conducted sufficient and reasonable due diligence and risk assessment work ordinarily expected for transaction of similar nature and scale.

Assessment on expected credit loss

In respect of the determination of the expected credit loss (the "**ECL**") of trade receivables, the Group engaged Valtech Valuation Advisory Limited (the "**Valuer**"), an independent professional qualified valuer to carry out a valuation (the "**Valuation**") of the recoverable amount of receivables as at 31 December 2023 (the "**Assessment Date**").

The Valuation adopted a simplified approach for the trade receivables of the Company, which is required to recognize a lifetime expected loss allowance for trade receivables that do not contain a significant financing component. The key inputs used in determining the amount of impairment includes:

(i) Probability of Default – This is determined by referencing historical settlement data and the history of defaults in relation to the write-off or impairment of receivables.

(ii) Forward-Looking Adjustment – A regression model is applied, considering macroeconomic factors such as gross domestic product and consumer price index.

(iii) Loss Given Default – This is determined based on historical records. If no historical loss given default data is available, the loss given default of trade receivables is referenced from ALL ratings published by Moody's research titled "Annual default study: Corporate default rate to moderate in 2024 but remain near its long-term average".

The key assumptions used in the Valuation are as follow:

(i) historical aging schedules, settlement and default records can be reliably measured and be relied on when measuring the ECL on a portfolio basis as at the Assessment Date;

(ii) industry credit data and default records can be reliably measured and be relied on when measuring the ECL on a portfolio basis as at 31 December 2023; and

(iii) forward-looking information, based on the point-in-time estimates of macroeconomic indicators as at the reporting date, can be reliably adopted as at 31 December 2023.

Subsequent to the publication of the 2023 Annual Report and in the first half of 2024, the Group has actively implemented actions to collect the outstanding trade receivables. As at the date of this announcement, approximately HK$2.2 million of the trade receivables have been subsequently recovered from the overdue trade and other receivables. Moving forward, the Group will continue to pursue recovery actions to facilitate timely collection of outstanding trade and other receivables.

The Valuer is a professional valuation firm accredited with ISO-9001 in valuation advisory services, and a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules).

The actions taken by the Company to recover those amounts

Overdue trade receivables were identified at each month end and usually there would be internal discussions on a case-by-case basis on what recovery actions to be taken so that the Company could recover the most in a timely fashion. Recovery actions including but not limited to phones calls, statutory demand letter and further legal actions would be discussed and executed. Reminder letter and statutory demand letter will be issued to the customer when consider appropriate if there is overdue repayment. Where appropriate, legal action will be initiated against the customers for the recovery of the trade receivables due. Where appropriate, the Company will also petition to the court for winding-up of the customers.

USE OF PROCEEDS FROM THE PLACING

On 13 March 2023, the Company entered into a placing agreement pursuant to which the Company has agreed to issue up to 103,680,000 new ordinary shares of HK$0.02 each at the placing price of HK$0.14 per share by way of placing to not less than six independent placees (the "**Placing**"). On 3 April 2023, the Placing was completed. The net proceeds from the issue of new shares after deducting related transaction costs (including but not limited to placing commission, legal expenses and disbursements) was approximately HK$14.2 million (the "**Net Proceeds**") and was intended to be used as expenditure for current business development of the Group. Please refer to the announcements of the Company dated 13 March 2023, 14 March 2023 and 3 April 2023 for details of the Placing.

In light of the change in business environment, in particular, the overdue shareholder loan during FY2023, the Company has applied the Net Proceeds as to (1) approximately HK$2.5 million for expenditure for current business development; (2) approximately HK$3.7 million for general working capital, of which approximately HK$2.1 million was used for salary, HK$1 million for professional fee and HK$0.5 million for other administrative expenses; and (3) approximately HK$8 million for repayment of shareholder's loan.

As at the date of the 2023 Annual Report, the net proceeds from the Placing have been fully utilized.

The Board is of the view that the re-allocation of the Net Proceeds will provide more flexibility for the Group to manage its assets and liabilities and is favorable to the Group's sustainability and long-term business development as well as a better utilisation of the Net Proceeds allowing the Group to deploy its financial resources more effectively. The Board confirms that there is no material change in the business nature of the Group and considered that the change in use of the Net Proceeds will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

GENERAL

The information contained in this supplemental announcement does not affect other information contained in the 2023 Annual Report and save as disclosed above, all other information in the 2023 Annual Report remains unchanged.

By order of the Board
Winto Group (Holdings) Limited
Hung Yuen Kin
Executive Director

Hong Kong, 30 August 2024

As at the date of this announcement, the Board comprises Mr. Lui Man Wah, Mr. Hung Yuen Kin and Mr. Wong Yuk as executive Directors and Ms. Wong Chi Ling, Mr. Lin Zexin and Ms. Liu Xiaomin as independent non-executive Directors.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, 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 Stock Exchange website at http://www.hkexnews.hk 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.