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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)

FULFILLMENT OF RESUMPTION GUIDANCE AND RESUMPTION OF TRADING

Financial Adviser to the Company



This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Winto Group (Holdings) Limited (the “**Company**”, which together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10(2) of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 21 June 2019, 2 July 2019, 18 September 2019, 7 September 2020, 8 September 2020, 9 September 2020, 30 October 2020, 7 December 2020, 5 March 2021, 21 April 2021, 4 June 2021, 6 September 2021, respectively, in relation to, among others, the decision of the GEM Listing (Review) Committee to suspend trading in the Shares and the Resumption Guidance (collectively, the “**Announcements**”). Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as those defined in the Announcements.

BACKGROUND

Prior to the change in control of the Company in November 2019, the Group was principally engaged in (i) provision of exhibition and trade show services; and (ii) sales of Hong Kong Publications (as defined below) and the relevant advertising spaces.

As disclosed in the Announcements, on 21 June 2019, the Company received a letter from the Stock Exchange, which serves as a notice pursuant to Rule 9.15 of the GEM Listing Rules, that the Listing Division has decided to suspend trading in the Shares under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company's listing under Rule 9.14 of the GEM Listing Rules (the "**LD Decision**").

On 18 September 2019, the Company received a letter from the Stock Exchange, which notified the Company that at the review hearing of the GEM Listing Committee held on 4 September 2019, the GEM Listing Committee decided to uphold the LD Decision to suspend trading in the Shares under Rule 9.04 of the GEM Listing Rules (the "**Committee Decision**").

On 7 September 2020, the Company received a letter from the GEM Listing (Review) Committee which notified the Company that the GEM Listing (Review) Committee decided to uphold the Committee Decision to suspend trading in the Shares under Rule 9.04 of the GEM Listing Rules. (the "**GEM LRC Decision**") As a result, trading in the Shares has been suspended with effect from 9:00 a.m. on 8 September 2020.

On 29 October 2020, the Company has been notified by the Stock Exchange of the resumption guidance (the "**Initial Resumption Guidance**"), namely (i) demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules; and (ii) inform the market of all material information for the Shareholders and other investors of the Company to appraise the Company's position.

On 31 March 2021, the Company announced the delay in publication of annual results of the Company for the year ended 31 December 2020 and despatch of annual report of the Company for the year ended 31 December 2020.

On 16 April 2021, the Company received additional resumption guidance from the Stock Exchange that, in addition to the Initial Resumption Guidance, the Company is required to publish all outstanding financial results required by the GEM Listing Rules and address any audit modifications (together with the Initial Resumption Guidance, the "**Resumption Guidance**").

Under Rule 9.14A of the GEM Listing Rules, the Company was required to fulfill all Resumption Guidance and resume trading in the Shares by the expiry of the remedial period of 12 months. If the Company fails to do so by the expiry of the 12-month period, being 7 September 2021, the Stock Exchange may proceed to cancel the listing of the Company pursuant to Rule 9.14A(1) of the GEM Listing Rules. Details of the Resumption Guidance are as follows:

- (i) demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules;
- (ii) inform the market of all material information for the Shareholders and other investors to appraise the Company's position; and
- (iii) publish all outstanding financial results required by the GEM Listing Rules and address any audit modifications.

FULFILLMENT OF RESUMPTION GUIDANCE

The Company is pleased to inform the Shareholders and potential investors that, as at the date of this announcement, all the Resumption Guidance have been fulfilled, details of which are set out below:

(i) To demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules

The Group is principally engaged in (i) sales and distribution of publications, the sales of print and online advertising spaces and provision of design and production services (the "**Publications and Advertising Business**"); (ii) sales of outdoor advertising spaces and provision of advertisement sourcing agency services (the "**Outdoor Advertising Business**"); and (iii) provision of exhibitions and trade shows and related services (the "**Exhibition and Trade Show Business and Related Services**").

Summary of historical financial information

The following table sets forth selected information from the Group's consolidated statement of profit or loss for the respective years/period indicated:

| | Year ended 31 December | | Six months ended 30 June |
|---|-------------------------------|-----------------|---|
| | 2019 | 2020 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | | | |
| – Publications and Advertising Business | 7,337 | 21,478 | 12,302 |
| – Outdoor Advertising Business | 54 | 3,714 | 10,922 |
| – Exhibition and Trade Show Business and Related Services | <u>13,447</u> | <u>4,674</u> | <u>1,736</u> |
| | 20,838 | 29,866 | 24,960 |
| Gross profit | | | |
| – Publications and Advertising Business | 5,232 | 12,626 | 8,194 |
| – Outdoor Advertising Business | 54 | 158 | 5,449 |
| – Exhibition and Trade Show Business and Related Services | <u>4,063</u> | <u>2,360</u> | <u>1,120</u> |
| | 9,349 | 15,144 | 14,763 |
| Net (loss)/profit from continuing operations attributable to owners of the Company | (39,189) | (2,847) | 7,269 |

The Group's total revenue increased from approximately HK\$20.8 million for the year ended 31 December 2019 to approximately HK\$29.9 million for the year ended 31 December 2020, primarily attributable to the introduction of the publications in Macau, particularly Exmoo News and Travel Macao, in November 2019 and therefore reflected the full-year sales of advertising spaces of such publications for the year ended 31 December 2020.

The Group's total revenue amounted to approximately HK\$25.0 million for the six months ended 30 June 2021, representing approximately 83.8% of the total revenue for the year ended 31 December 2020, primarily due to the development of Outdoor Advertising Business.

Based on the foregoing, the Group recorded gross profit of HK\$9.3 million, HK\$15.1 million and HK\$14.8 million for the two years ended 31 December 2020 and the six months ended 30 June 2021, respectively.

In view of (i) the introduction of the publications in Macau, particularly Exmoo News and Travel Macao, in November 2019; (ii) the commencement of the Outdoor Advertising Business in November 2019; and (iii) the implementation of the cost saving measures, the Group's net loss from continuing operations attributable to owners of the Company reduced from approximately HK\$39.2 million for the year ended 31 December 2019 to approximately HK\$2.8 million for the year ended 31 December 2020 and turned around to net profit from continuing operations attributable to owners of the Company of approximately HK\$7.3 million for the six months ended 30 June 2021.

The following table sets forth selected information from the Group's consolidated balance sheet as of the respective dates indicated:

| | As at 31 December | | As at |
|--------------------------|--------------------------|-----------------|-----------------|
| | 2019 | 2020 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current assets | 13,447 | 17,636 | 34,292 |
| Non-current assets | <u>3,179</u> | <u>13,120</u> | <u>14,461</u> |
| Total assets | 16,626 | 30,756 | 48,753 |
| Current liabilities | 18,361 | 18,830 | 28,112 |
| Non-current liabilities | <u>8,718</u> | <u>19,202</u> | <u>20,417</u> |
| Total liabilities | 27,079 | 38,032 | 48,529 |
| Net (liabilities)/assets | (10,453) | (7,276) | 224 |

The Group had total assets of approximately HK\$16.6 million, HK\$30.8 million and HK\$48.8 million as at 31 December 2019 and 2020 and 30 June 2021, respectively. The current assets of the Group consist mainly of trade and other receivables, other deposits, and bank balances and cash, all of which are operating in nature and hence the Group will have sufficient resources to support its ongoing business operations and the Group as a whole.

The Group recorded net liabilities of approximately HK\$10.5 million and HK\$7.3 million as at 31 December 2019 and 2020, respectively. The Group has turned around from net liabilities position to net assets position of approximately HK\$0.2 million as at 30 June 2021. The significant improvement in the Group's financial position was a result of the continued improvement of the Group's continuing operations.

Further information in relation to the Company's financial performance and position for the year ended 31 December 2020 and the six months ended 30 June 2021 are contained in the annual report of the Company for the year ended 31 December 2020 and the interim report of the Company for the six months ended 30 June 2021.

Publications and Advertising Business

Set out below is the breakdown of financial performance of the Publications and Advertising Business for the respective years/period indicated:

| | Year ended 31 December | | Six months ended |
|----------------------------------|-------------------------------|-----------------|-------------------------|
| | 2019 | 2020 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>2021</i> |
| | | | <i>HK\$'000</i> |
| Revenue | | | |
| – Macau Publications | 7,033 | 16,271 | 9,097 |
| – Hong Kong Publications | 229 | 135 | 223 |
| – Design and Production Services | <u>75</u> | <u>5,072</u> | <u>2,982</u> |
| | 7,337 | 21,478 | 12,302 |
| Gross profit/(loss) | | | |
| – Macau Publications | 5,788 | 9,925 | 6,394 |
| – Hong Kong Publications | (623) | (239) | 60 |
| – Design and Production Services | <u>67</u> | <u>2,940</u> | <u>1,740</u> |
| | 5,232 | 12,626 | 8,194 |

Macau Publications

The Group has expanded the Publications and Advertising Business by enlarging its publication portfolio in terms of number of title. On 27 November 2019, the Group and an independent third party licensor (the “**Licensor**”) entered into the licence agreement and the advertising agreement, pursuant to which, the Licensor granted the Group an exclusive licence to use the trademarks in relation to Exmoo News (力報) and Travel Macao (遊澳假期) (collectively, the “**Macau Publications**”) for use by the Group in the operation of the publication and distribution of the Macau Publications for a period of 5 years with effect from 1 November 2019. The Group is responsible for all the operation necessary for the publication and distribution of Macau Publications, including but not limited to design, editing, development of contents, sales and marketing (in particular, sales of advertising spaces), printing and distribution. In addition, the Group has the sole discretion for the contents of the publications as well as the price determination for advertising spaces. All revenues generated from the operation in publication and distribution of the Macau Publications will be retained by the Group while all the associated costs and risks arising from this business operation will be borne by the Group.

Leveraging on the Group’s competitive advantage of operating promotion platforms on different media, the sales of advertising spaces of Travel Macao and Exmoo News have been offered as packages of advertisement on newspapers combined with digital social media platforms (the “**Bundle Sales**”). The Bundle Sales have been a long-standing pricing strategy and a value-adding service of the Group, where the promotion contents of the advertising customers will be published on both the Group’s online and offline channels for the relevant placement. The management of the Group are of the view that the Bundle Sales will be more attractive to the customers as both the online and offline advertisements can penetrate into a more extensive spectrum of audience, thereby maximising the reach to target audience and thus the effectiveness of the advertisements. As such, the Group has developed different advertising plans to cover both online and offline media so as to cater for different customers’ requirement. Further, such pricing strategy will create synergy effect which can maximise the revenue of the Group while sharing the costs for content production.

Further, the management of the Group has implemented reforms to the operation of the Macau Publications to improve efficiency and reduce the costs of operation, and thus resulted in the increase in profitability of the business. Such costs saving measures included, among others, (i) reformed the team structure since November 2019 in that each full-time employee is responsible for multifunctional duties. As compared to the previous system as adopted by the Group which the departments and staffs are single-functioned and thus created interdependence that led to inefficiency and higher cost, the current streamlined system has enhanced the efficiency and reduced the cost of operation; and (ii) reduced the number of printed copies and the distribution points of the publications, which substantially reduced the printing costs and distribution costs.

Notwithstanding the income generated from the publication and distribution of the Macau Publications has been adversely affected by the outbreak of COVID-19 pandemic, in particular, the sales volume of Exmoo News only picked up in May 2020 in light of the impact of the COVID-19 pandemic, taking into account of (i) the long established reader base of the Macau Publications; (ii) the new advertising agreements signed as a result of the network and experience of the Group's sales team to extend the customer base; (iii) the Bundle Sales Strategy; and (iv) the cost saving measures, the business operation of the Macau Publications has been expanding steadily and has demonstrated to be profitable in long run. The operating costs of the Macau Publications are not expected to increase significantly notwithstanding the effect of COVID-19 will fade out.

Hong Kong Publications

The Group also owned and published four magazines, including “Motoz Trader”, “Motoz Trader (Free)”, “Shopping Monthly” and “Shopping Monthly (Free)” (collectively, the “**Hong Kong Publications**”) in Hong Kong. The said magazines of the Group covered readership of different market segments and age groups by focusing on different areas of interest in lifestyle, including automotive, beauty and fashion, property, diner and electronic products.

The operation of the Hong Kong Publications had not been satisfactory under the old management of the Group. After the change in control of the Group, the new management of the Group has undertaken reviews of existing magazines and have formulated the improvement plans. Notwithstanding the progress of implementation and effectiveness of the improvement plans of the Hong Kong Publications have been inevitably disrupted due to the social unrest followed by the outbreak of the COVID-19 pandemic, which were beyond the control of the Group, the operation of the Hong Kong Publications has been turned around to gross profit for the six months ended 30 June 2021, mainly due to (i) the new advertising agreements signed; and (ii) the cost saving measures. The operating costs of Hong Kong Publications are not expected to increase significantly notwithstanding the effect of COVID-19 will fade out.

Design and Production Services

Leveraging on the extensive experience and expertise of the Group's employees, the Group fully utilised its resources to diversify its income source by providing design and production services (the “**Design and Production Services**”) including (i) cover design, content editing and content production work for Suncity People (太陽城人季刊) and Sun Travel Magazine (太陽旅遊雙月刊); and (ii) product design and production as well as design and production of brochure, pamphlet and advertising stand.

Given that (i) the Sun Travel Magazine (太陽旅遊雙月刊) is published bi-monthly and the Group is responsible for part of the editing and photo shooting work, most of the manuscripts are provided by the stringers and outsourced authors; and (ii) the Suncity People (太陽城人季刊) is published quarterly, the current manpower is sufficient to cope with the workload and the operating costs are not expected to increase significantly notwithstanding the effect of COVID-19 will fade out.

Outdoor Advertising Business

Set out below is the breakdown of financial performance of the Outdoor Advertising Business for the respective years/period indicated:

| | Year ended 31 December | | Six months ended |
|--|------------------------|----------|------------------|
| | 2019 | 2020 | 30 June |
| | HK\$'000 | HK\$'000 | 2021 |
| | | | HK\$'000 |
| Revenue | | | |
| – Billboard Advertising Business | – | 3,384 | 10,758 |
| – Advertising Planning Agency Business | 54 | 330 | 164 |
| | 54 | 3,714 | 10,922 |
| Gross profit/(loss) | | | |
| – Billboard Advertising Business | – | (172) | 5,285 |
| – Advertising Planning Agency Business | 54 | 330 | 164 |
| | 54 | 158 | 5,449 |

Billboard Advertising Business

The Group has been diversifying its revenue stream by developing the billboard advertising business (the “**Billboard Advertising Business**”). During the year ended 31 December 2020, the Group cooperated with certain business partners and entered into continuing contracts for usage of the advertisement spaces of billboards in Macau and Zhuhai, namely Hong Kong-Zhuhai-Macau-Bridge (“**HZMB**”) Macau Section Passenger Clearance Building* (港珠澳大橋澳門邊檢大樓) for a term of 5.5 years from 1 January 2020 and Zhuhai Hengqin Passenger Clearance Building* (珠澳橫琴邊檢大樓) for a term of one year till 31 August 2021 and extended to 31 August 2022. The Group needs to bear the risks and costs of not utilising the advertising spaces of the Billboard Advertising Business in the event the Group is unable to solicit advertising customer for the advertising spaces. Given the Group bears more risk for the Billboard Advertising Business, the gross margin for this business is generally higher. The Group recognises the income and usage fee from the Billboard Advertising Business on a gross basis.

In respect of the HZMB Macau Section Passenger Clearance Building, the Group was granted a monthly usage fee concession of approximately HK\$1.5 million from February 2020 and up to September 2021 to compensate for the decrease in advertising sales, in view of the low public flow of HZMB Macau Section Passenger Clearance Building due to the prolonged period of lock down and the sporadic changes in travel restriction and quarantine policies as a result of the outbreak of COVID-19 pandemic.

Further, the monthly usage fee for Zhuhai Hengqin Passenger Clearance Building has been reduced to approximately RMB333,000 for the year ending 31 August 2022, which was arrived at after arm’s length negotiations, with reference to the then prevailing market rate. The management of the Group understands that such monthly usage fee will be subject to further negotiation upon renewal of contract in the second half of 2022 and based on the current market condition, it is likely that the monthly usage fee will remain at the current level. The Group is also entitled to a right of first refusal to renew the billboards operation of Zhuhai Hengqin Passenger Clearance Building. In the circumstance where the operator of Zhuhai Hengqin Passenger Clearance Building receives any offers from third parties other than the Group, the Group shall have priority in renewing the contract on the same terms of such other offers. In light of the above, the Directors are of the view that the monthly usage fee of approximately RMB333,000 for Zhuhai Hengqin Passenger Clearance Building is not an interim relief, but a reasonable adjustment in line with the market condition.

Notwithstanding of the possibility that the usage fee concession for the use of the HZMB Macau Section Passenger Clearance Building advertising spaces may no longer be granted in the future when the COVID-19 impact fades out, taking into consideration that (i) the COVID-19 pandemic gradually comes under control; (ii) the general public were more adapted to the “new normal” brought by the pandemic; (iii) the public flow of HZMB Macau Section Passenger Clearance Building and Zhuhai Hengqin Passenger Clearance Building have been picking up gradually since the last quarter of 2020, and in or around early 2021, the advertising customers have gradually become willing to discuss and enter into long term contracts with the Group; (iv) the operation and financial performance of the Billboard Advertising Business improved significantly for the six months ended 30 June 2021; (v) the utilisation rate of the advertising spaces of HZMB Macau Section Passenger Clearance Building and Zhuhai Hengqin Passenger Clearance Building for the six months ended 30 June 2021 indicated a significant improvement and growth momentum of the Billboard Advertising Business, not to mention the potential growth in the visitors volume for HZMB Macau Section Passenger Clearance Building when the negative impact of COVID-19 pandemic on the economy and business operation subsides and hence the expected increase in revenue generated from the operation of advertising spaces at HZMB Macau Section Passenger Clearance Building; and (vi) the manpower of the Group is sufficient to handle the operation of the Billboard Advertising Business even when the utilisation rate of the advertising spaces of HZMB Macau Section Passenger Clearance Building and Zhuhai Hengqin Passenger Clearance Building reach 100%, the Directors are of the view that the profitability of the Billboard Advertising Business will be improved gradually and is therefore viable and sustainable.

Advertising Planning Agency Business

The Group’s advertising planning agency business (the “**Advertising Planning Agency Business**”) is demand driven, which the Group acts as an agent to source advertisement space according to the customers’ requests, and charges the customers on a cost-plus pricing approach, and therefore the Group generates service income on a net basis.

Leveraging on the extensive experience and business connections of the management of the Group in the advertising industry, the Group is capable of sourcing the advertising spaces of different channels with a competitive price. The management of the Group are of the view that this would attract more advertising customers as multi-channel advertisements can penetrate into a large and wide spectrum of audiences, covering different districts and consumer segments in different places at a relatively lower cost.

The advertising sales department of the Group is mainly responsible for the planning and execution of the customer promotion plan for the Advertising Planning Agency Business. It is expected that the customer promotion plan will gradually recover followed by the stabilisation of the COVID-19 pandemic. The management of the Group are of the view that the current manpower is sufficient to cope with the market recovery, and it is expected that there will be no significant increase in labour costs to cope with future customer demand.

Exhibition and Trade Show Business and Related Services

The Group's exhibition and trade show and related services business (the “**Exhibition and Trade Show Business and Related Services**”) is relatively labour intensive as the Group is responsible for the design, production and event arrangement of various exhibitions and trade shows and other related services in Hong Kong. The Exhibition and Trade Show Business and Related Services is known to be one of the industries severely affected by the unprecedented standstill in Hong Kong due to the outbreak of COVID-19 pandemic in 2020, the development and impacts of which have surpassed the expectation of the Group and the general public. In particular, the business activities of the city as a whole, including the operation and development of the Exhibition and Trade Show Business and Related Services, has been drastically restricted by the prolonged period of lock down and the sporadic changes in travel restriction and quarantine policies by local government. Hence, the revenue of the Exhibition and Trade Show Business and Related Services decreased from approximately HK\$13.4 million for the year ended 31 December 2019 to approximately HK\$4.7 million for the year ended 31 December 2020 and amounted to approximately HK\$1.7 million for the six months ended 30 June 2021.

Employees

Set out below is the breakdown of the number of employees of the Group as at 31 August 2021.

| | Hong Kong | Macau | Responsibilities/Business segment |
|--------------------------|-----------|-----------|--|
| Management | 4 | 2 | Overall strategic planning, management, sales and marketing and supervision of the business development of the Group |
| Administration & Finance | 2 | 3 | Administration and finance |
| Sales | – | 4 | Sales and marketing of the advertising spaces of all the Group's advertising media |
| Editing | 2 | 8 | Publication and Advertising Business |
| Graphic Design | – | 2 | Publication and Advertising Business |
| Design & Production | 5 | – | 1. Exhibition and Trade Show Business and Related Services 2. Design and Production Services sub-segment |
| Total | 13 | 19 | |

As at 31 August 2021, the total number of employees of the Group was 32 and the total staff costs, including Directors' emoluments for the two years ended 31 December 2020 and the six months ended 30 June 2021, amounted to approximately HK\$12.0 million, HK\$9.5 million and HK\$3.4 million, respectively.

Working Capital

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the cash and cash equivalent and the financial resources presently available to the Group, including the internally generated funds from the Group's business operations and the facilities currently available, the Group has sufficient working capital for its normal business for at least the next 12 months from the date of this announcement.

Profit Forecast for the year ending 31 December 2021

Set out below is the profit forecast of the Group for the year ending 31 December 2021 (the "**Profit Forecast**"), which has been prepared by the Directors with reference to legally binding agreements, historical cost structures and other assumptions as detailed below.

| | Year ending 31 December 2021 HK\$'000 |
|---|--|
| Revenue | |
| – Publications and Advertising Business | 26,391 |
| – Outdoor Advertising Business | 28,884 |
| – Exhibition and Trade Show Business and Related Services | <u>5,726</u> |
| | 60,001 |
| Gross profit | |
| – Publications and Advertising Business | 19,205 |
| – Outdoor Advertising Business | 15,345 |
| – Exhibition and Trade Show Business and Related Services | <u>2,219</u> |
| | 36,769 |
| Net profit after taxation | 18,045 |

- 1.1 The Profit Forecast is prepared with reference to the consolidated results of the Group for the year ended 31 December 2020 and the consolidated results of the Group for the eight months ended 31 August 2021. The Profit Forecast is based on existing and projected contracts with customers, with reference to the confirmed contract sum for the four months ending 31 December 2021 (the “**Forecast Period**”), assuming that variable cost would generally increase with revenue, fixed costs are generally forecasted with reference to the actual amounts for the year ended 31 December 2020, and one-off items such as other income and extraordinary expenses would not recur.
- 1.2 The Group will continue to principally engage in (a) Publications and Advertising Business; (b) Outdoor Advertising Business; and (c) Exhibition and Trade Show Business and Related Services throughout the year ending 31 December 2021.
- 1.3 The Profit Forecast has been prepared taking into account the Directors’ and the Group’s key senior management’s continued involvement in the development of the Group’s existing operations. It is assumed that the Group will be able to retain its key management and personnel during the Forecast Period.
- 1.4 There will be no material change in the existing government policies or political, legal, fiscal, market or economic conditions in the People’s Republic of China (the “**PRC**”), Hong Kong and Macau, including changes in legislations, regulations or rules, which may have a material adverse effect on business of the Group.
- 1.5 There will be no material change in the bases or rates of taxation, both direct and indirect, in the PRC, Macau and Hong Kong.
- 1.6 There will be no material change in inflation, interest rate and exchange rate from those presently prevailing on Forecast Period.
- 1.7 The Group will be able to maintain and/or recruit enough employees to meet its operational needs during the Forecast Period.
- 1.8 All of the Group’s assets including fixed assets, trademarks and trade receivables are carried at amounts not materially different from their recoverable amounts during the Forecast Period and adequate provision have been made for any impairment. It is assumed that there will be no material changes in their recoverable amounts for the Forecast Period.
- 1.9 The Directors do not anticipate any extraordinary or exceptional items which will arise during the Forecast Period.

- 1.10 No dividend will be recommending and paid by the Group during the Forecast Period, and no assurance that the Group will be able to declare or distribute dividends for the Forecast Period.
- 1.11 There will be no liability claim or negative publicity to the Group's brand and no material litigation outstanding during the Forecast Period.
- 1.12 Pursuant to the decision letter from the Stock Exchange regarding the decision of the GEM Listing (Review) Committee dated 7 September 2020, the Company is required to re-comply with Rule 17.26 of the GEM Listing Rule and the Company is required to comply with such condition in a 12-month period.
- 1.13 There will be no material change in accounting standards or financial reporting requirements which will have significant impact on the preparation of the Profit Forecast.
- 1.14 The Group can substantially maintain the business relationship and transaction practice with the customers, and will also perform its business under the same business model currently in practice during the Forecast Period. It is assumed that the results for contracts under negotiation will not be materially different from estimation.
- 1.15 Save for the current status of the outbreak of COVID-19 pandemic, there will be no wars, military, incidents, pandemic diseases, natural disasters, or force majeure event, unforeseeable factors or unforeseeable reasons that are beyond the control of the Directors that would have a material impact on the Group's business and operating activities.
- 1.16 The measures adopted by the governments to control the COVID-19 outbreak will continue to be effective and there will be no material impact from the outbreak of COVID-19 during the Forecast Period.

While the Profit Forecast has been prepared by the Directors after due and careful enquiry, actual results or outcomes could be affected by events or circumstances after the Profit Forecast had been prepared and differ materially from those expressed in the Profit Forecast. The Company strongly cautions the Shareholders and potential investors against placing undue reliance on the Profit Forecast. The Company expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the Profit Forecast.

Lego Corporate Finance Limited (“**Lego**”) has been engaged by the Company to act as the financial adviser of the Company to review the Profit Forecast and is of the view that the Profit Forecast was made by the Directors after due and careful enquiry. In addition, McM (HK) CPA Limited (“**McM**”), the auditors of the Company, has been engaged by the Company to review the accounting policies, arithmetical calculations and compilation of the Profit Forecast.

EXPERTS AND CONSENTS

A letter from McM and a letter from Lego are included in the appendices to this announcement. The following are the qualifications of McM and Lego:

| Name | Qualification |
|--------------------------------|---|
| Lego Corporate Finance Limited | a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |
| McM (HK) CPA Limited | Certified Public Accountants |

Each of McM and Lego has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its report/letter and all references to its name (including its qualifications) in the form and context in which they are included.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of McM and Lego is a third party independent of the Group and is not a connected person of the Group.

As at the date of this announcement, neither McM and Lego has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the date of the announcement, neither McM and Lego had any direct or indirect interests in any assets which have been, since 31 December 2020 (the date to which the latest published annual results of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Despite the adverse effect of COVID-19 on the economic environment, the Group still recorded a substantial improvement in its revenue and net (loss)/profit from continuing operations attributable to owners of the Company for the year ended 31 December 2020 and the six months ended 30 June 2021 and will continue to be committed to improving the existing business operations. On the basis of the above, the Directors are of the view that (i) the Company's business and operations of the Group are viable; (ii) a reasonable and achievable future plan has been drawn up; and (iii) financial sustainability has been restored which warrants the continued listing of the Shares on the Stock Exchange and complies with Rule 17.26 of the GEM Listing Rules. Accordingly, the Company is of the view that it has fulfilled the Resumption Guidance (i).

(ii) To inform the market of all material information for the Shareholders and other investors to appraise the Company's position

Since the suspension of the trading of the Shares on 8 September 2020, the Company has been publishing announcements, inter alia, this announcement, quarterly business updates, the financial results of the Company, inside information announcements and other important information from time to time to inform the Shareholders and potential investors of the Company on the latest development of the Company. Save as disclosed in the Announcements and the aforesaid announcements, there is no other material information that needs to be disclosed and brought to the attention of the Shareholders and potential investors of the Company to appraise the Company's position. Accordingly, the Company is of the view that it has fulfilled the Resumption Guidance (ii).

(iii) To publish all outstanding financial results required by the GEM Listing Rules and address any audit modifications

The Company has published the first quarterly results for the three months ended 31 March 2021 on 14 May 2021 and the interim results for the six months ended 30 June 2021 on 6 September 2021 and the audited annual results for the year ended 31 December 2020 on 29 October 2021. Thus, the Company had published all outstanding financial results required by the GEM Listing Rules as at the date of this announcement. The Company's auditors had issued an unqualified opinion about the financial information contained in the annual results announcement and annual report of the Company for the year ended 31 December 2020. Accordingly, the Company is of the view that it has fulfilled the Resumption Guidance (iii).

RESUMPTION OF TRADING

Trading in the Shares has been suspended from 9:00 a.m. on 8 September 2020. As all the Resumption Guidance are fulfilled on 29 October 2021, an application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 3 November 2021.

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

Hong Kong, 2 November 2021

As at the date of this announcement, the Board comprises Mr. Hung Yuen Kin as executive Director, Mr. Lui Man Wah as non-executive Director and Ms. Wong Chi Ling, Mr. Wong Ling Yan Philip and Mr. Lee Man Yeung as independent non-executive Directors.

This announcement, for which the Directors 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, 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>.

APPENDIX I – LETTER FROM THE AUDITORS

1 November 2021

The Board of Directors
Winto Group (Holdings) Limited
Workshop A, 14/F, V Ga Building,
532 Castle Peak Road,
Kowloon, Hong Kong

Dear Sirs,

Winto Group (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”)

PROFIT FORECAST FOR 4 MONTHS PERIOD ENDING 31 DECEMBER 2021

We refer to the forecast of the consolidated profit attributable to equity holders of the Company for the period ending 31 December 2021 (the “**Profit Forecast**”) set forth in the submission dated 1 November (the “**Submission**”).

DIRECTORS’ RESPONSIBILITIES

The Profit Forecast has been prepared by the directors of the Company (the “**Directors**”) based on the audited consolidated results of the Group for the 12 months ended 31 December 2020, the unaudited consolidated results based on the management accounts of the Group for the 8 months ended 31 August 2021 and a forecast of the consolidated results of the Group for the remaining 4 months ending 31 December 2021.

The Directors are solely responsible for the Profit Forecast.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT’S RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the Directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Submission and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the Company’s annual report dated 29 October 2021.

OTHER MATTER – HIGH LEVEL OF UNCERTAINTY ON ASSUMPTION

In preparing the Profit Forecast, the Directors have assumed that the operating revenue and expenses are based on the business plan mentioned in the Submission. The actual result in the Group’s operation is likely to be different from the amount estimated or forecast. Any difference between the actual result in the Group’s operation during the period from 1 September 2021 to 31 December 2021 when compared to the amount as estimated by the Directors would have a significant effect on the consolidated profit of the Group for the year ending 31 December 2021 attributable to owners of the Company. Our opinion is not qualified in respect of this matter.

Yours faithfully,
McM (HK) CPA Limited
Certified Public Accountants Hong Kong

APPENDIX II – LETTER FROM THE FINANCIAL ADVISER

1 November 2021

The Board of Directors
Winto Group (Holdings) Limited
Workshop A, 14/F, V Ga Building,
532 Castle Peak Road,
Kowloon, Hong Kong

Dear Sirs,

Winto Group (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”)

REPORT FROM FINANCIAL ADVISER ON THE PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2021 OF THE GROUP

We refer to the profit forecast of the Group for the four months period ending 31 December 2021 (the “**Profit Forecast**”) as set out in the submission dated 1 November 2021 (the “**Submission**”). In accordance with your instructions, we have reviewed the Profit Forecast, for which you as the directors of the Company (the “**Directors**”) are solely responsible for.

We have discussed with the management of the Company regarding the bases and assumptions adopted in preparing the Profit Forecast and noted that the Profit Forecast has been prepared principally based on the audited consolidated results of the Group for the 12 months ended 31 December 2020 and the unaudited consolidated results based on the management accounts of the Group for the eight months ended 31 August 2021. We have also considered the letter dated 1 November 2021 addressed to the Directors from McM (HK) CPA Limited (“**McM**”), regarding the accounting policies and calculations upon which the Profit Forecast has been made. McM is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the assumptions as set out in the Submission adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

We confirm that the assessment, review and discussions carried out by us as described above are primarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the date of this letter and that we have, in arriving at our views, relied on information and materials supplied to us by the Company and McM and opinions expressed by, and representations of, the employees and/or management of the Company and McM.

We have assumed that all information, materials and representations referred to or contained in the Profit Forecast were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of this letter and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our respective assessment and review.

On the basis that the Directors are satisfied that there are no further matters that should be brought to our attention, having considered the bases and assumptions on which the Profit Forecast is made by the Directors and the accounting policies and calculations adopted by the Directors and reported on by McM, we are of the opinion that the Profit Forecast, for which the Directors are solely responsible, has been made after due care and consideration.

This letter is prepared solely for your information and must not be filed with, or referred to (either in whole or in part) in any other document or otherwise quoted, circulated or used for any other purposes or to be distributed to any other parties, without our prior written consent, except that we understand a copy of this letter will be distributed to The Stock Exchange of Hong Kong Limited. For the avoidance of doubt, all duties and liabilities (including without limitation those arising from negligence) to third parties, including The Stock Exchange of Hong Kong Limited, are specifically disclaimed.

Yours faithfully
For and on behalf of
Lego Corporate Finance Limited
Stanley Ng
Managing Director