WINOX

# WINOX HOLDINGS LIMITED

盈利時控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6838)

# 2015 FINAL RESULTS

## FINANCIAL HIGHLIGHTS

- The Group's turnover amounted to HKD720,921,000 representing a corresponding increase of 32.6%.
- The Group's gross profit amounted to HKD202,077,000, representing a corresponding increase of 30.7%.
- The Group's profit for the year amounted to HKD80,732,000, representing a corresponding increase of 76.8%.
- Earnings per share amounted to HK16.1 cents, representing a corresponding increase of 76.9%.
- The Board proposed a final dividend of HK4 cents per ordinary share for the year ended 31 December 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year ended 31 December 2015, Winox Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") recorded a strong growth of 32.6% in turnover which was mainly due to the increase in sales of watch bracelets and costume jewellery. Despite the global demand for luxury goods remained sluggish in 2015, the Group's satisfactory results achieved for the year was attributed to the success of the Group's business strategy of continuous investment in strengthening our production technology and efficiency to serve our prominent customers who are internationally renowned brands. On the cost side, improved scale of economy and depreciation of Renminbi during the year have eased the increase in labour and other manufacturing costs in our factories in China.

The principal focus of the Group remains on the development and manufacture of premium stainless steel products, and our major business segments are, namely, watch bracelets, costume jewellery, mobile phone cases and parts and accessories and parts for leather goods.

During the year, the construction of the first phase development of our Dongfeng Village Factory was completed and certain areas of it have been equipped in stages for the production of costume jewellery and mobile phone cases and parts.

## FINANCIAL REVIEW

### Turnover

For the year ended 31 December 2015, the Group's audited consolidated turnover increased by 32.6% to HKD720,921,000 (2014: HKD543,666,000) as compared to last year. Turnover attributable to watch bracelets, costume jewellery, mobile phone cases and parts and accessories and parts for leather goods were 61.0%, 34.3%, 3.2% and 1.5% respectively (2014: 71.6%, 23.3%, 1.1% and 4.0% respectively).

During the year 2015, export value of Swiss made watches rose in the first half and turned to decline in the second half with a 3.3% annual fall as compared to last year. Sales of watch bracelets was also slowed down in the second half of 2015, nevertheless the annual turnover of watch bracelets still increased by 13.1% to HKD440,066,000 (2014: HKD 389,120,000) as compared to last year.

Turnover of costume jewellery achieved a strong growth of 95.3% to HKD247,047,000 (2014: HKD126,498,000) as compared to last year which was attributable to the effort we put to maintain our close relationship with our existing prominent customers.

During the year, sales of mobile phone cases and parts was HKD23,099,000 (2014: HKD 6,237,000), representing an increase of 270.4% as compared to last year. The picking up of sales was due to the success of the ongoing screening and selection of high quality customers exercise implemented last year.

Sales of accessories and parts for leather goods remained slack for the year and amounted to HKD10,709,000 (2014: HKD21,811,000), representing a decrease of 50.9% as compared to last year.

### Profit

As a result of the increase in sales, gross profit increased by 30.7% to HKD202,077,000 (2014: HKD154,666,000) as compared to last year. Gross profit margin for the year slightly reduced to 28.0% (2014: 28.4%) as improved scale of economy and depreciation of Renminbi during the year have eased the increase in labour and other manufacturing costs. Profit for the year increased by 76.8% to HKD80,732,000 (2014: HKD45,670,000) and basic earnings per share for the year increased by 76.9% to HK16.1 cents (2014: HK9.1 cents).

### Cost of sales

Cost of sales included costs of production materials, labour and manufacturing overhead and other costs. The following table sets forth the breakdowns of our cost of sales for the year ended 31 December 2015:

| | **2015** | 2014 |
|---|---|---|
| | **HKD'000** | HKD'000 |
| Direct material costs | **177,249** | 119,850 |
| Direct labour costs | **226,604** | 175,090 |
| Manufacturing overhead and other costs | **114,991** | 94,060 |
| | **518,844** | 389,000 |

During the year ended 31 December 2015, direct material costs accounted for about 34.1% (2014: 30.8%) of the total cost of sales.

The prices of stainless steel rods and plates remained stable during the year. We did not engage in any hedging transactions with regard to our production materials as we considered that the fluctuations in the price of stainless steel materials were generally corresponding to the fluctuation of the selling price of our products.

For the year ended 31 December 2015, direct labour costs accounted for about 43.7% (2014: 45.0%) of the total cost of sales and manufacturing overhead and other costs accounted for about 22.2% (2014: 24.2%) of the total cost of sales.

### Other Income

Other income decreased by approximately 38.1% to HKD3,369,000 for the year as compared to HKD5,444,000 for last year which was primarily due to less government grant was received during the year.

### Other gains and losses

Other gains for the year amounted to HKD1,639,000 (2014: losses of HKD3,876,000) which was mainly due to the exchange gain from the depreciation of Renminbi during the year.

### Expenses

Selling and distribution expenses increased by approximately 17.3% to HKD26,491,000 for the year as compared to HKD22,583,000 for last year which was mainly due to the increase in sales.

With the commencement of operations of the Dongfeng Village Factory during the year, administrative expenses increased by 7.2% to HKD76,758,000 (2014: HKD71,575,000).

During the year, the Group raised and repaid bank borrowings of HKD38,699,000 and HKD49,647,000 respectively. Finance costs for the year ended 31 December 2015 amounted to HKD3,928,000 (2014: HKD4,390,000) representing a decrease of 10.5%.

## Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on EIT ("**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

## Inventories

| | **2015** | 2014 |
|---|---|---|
| | **HKD'000** | HKD'000 |
| Raw materials | **12,469** | 12,714 |
| Work in progress | **35,000** | 50,408 |
| Finished goods | **2,916** | 12,272 |
| | **50,385** | 75,394 |

As at 31 December 2015, the Group recorded an inventory balance of HKD50,385,000 (31 December 2014: HKD75,394,000), representing a decrease of 33.2% which was mainly due to the decrease in work in progress and finished goods at the end of the year. The inventory turnover of the Group for 2015 was 44.2 days as compared to 70.7 days for 2014.

## Trade Receivables

As at 31 December 2015, the Group recorded trade receivables of HKD71,643,000 (31 December 2014: HKD49,039,000). The increase in trade receivables was due to the increase in sales. The credit periods granted to our customers were considered on individual basis ranging from 30 days to 90 days. Generally, no credit would be granted to customers whom are new, short-term and placing orders in immaterial scale. As most of our customers were internationally renowned brand owners, we considered we were exposed to relatively minimal default risk. The trade receivables turnover of the Group for the year ended 31 December 2015 was 30.6 days (for the year ended 31 December 2014: 31.7 days).

## Trade Payables

As at 31 December 2015, the Group recorded trade payables of HKD33,494,000 (31 December 2014: HKD31,238,000). The trade payables were primarily related to the purchase of raw materials from suppliers with credit periods ranging from 30 days to 90 days. The trade payables turnover of the Group for the year ended 31 December 2015 was 22.8 days (for the year ended 31 December 2014: 23.8 days).

## Liquidity, Indebtedness and Charges on Assets

During the year, the Group maintained a satisfactory liquidity level. As at 31 December 2015, net current assets of the Group was HKD168,425,000 (31 December 2014: HKD172,153,000). Besides, as at 31 December 2015, the Group had cash and bank balances of HKD196,295,000 (31 December 2014: HKD177,653,000), of which 74.6% was in Hong Kong dollars, 6.3% was in Swiss Franc, 14.4% was in Renminbi, and 4.7% was in United State dollars and other currencies.

During the year, the Group obtained new banking facilities of HKD70,000,000 to finance the acquisition of plant and machineries, and to replenish its working capital. As at 31 December 2015, the Group's outstanding bank borrowings totalled HKD121,569,000 (31 December 2014: HKD132,683,000), of which 97.1% was in Hong Kong dollars and 2.9% was in Renminbi. All of the Group's bank borrowings were arranged on floating rate basis. Except for certain bank borrowings which were committed loan facilities with specific maturity dates, the Group's bank borrowings contained repayment on demand clause at any time at the discretion of the bank. Under the Hong Kong Accounting Standards, the Group had separated and classified the bank borrowings as current and non-current liabilities in the consolidated statements of financial position as at 31 December 2015 in accordance with the settlement term. Of the total bank borrowings, according to the repayment schedule, HKD3,580,000 was short-term revolving loans, HKD40,350,000 was loans repayable within one year and the balancing of HKD77,639,000 was repayable after one year.

Parts of the bank borrowings were secured by certain of the Group's assets with an aggregate carrying value of HKD55,329,000 as at 31 December 2015. The charged assets included a piece of land in Dongguan where our factory was situated, certain properties constructed thereon and the deposits for two keyman life insurance policies. The banking facilities to the Company's wholly-owned subsidiaries were also secured by corporate guarantees in favour of the bank from the Company.

As at 31 December 2015, the total unutilized banking facilities available for the Group amounted to approximately HKD63,253,000 (2014: HKD29,485,000).

As at 31 December 2015, the Group's gearing ratio was 0.16 (31 December 2014: 0.18), which was calculated on the basis of outstanding borrowings over the total assets of the Group.

## Treasury

The Group adopted conservative treasury policies in cash and financial management. Cash was generally placed in short-term deposits. The Group's liquidity and financing requirements were reviewed regularly.

For the year ended 31 December 2015, a large amount of the Group's sales was denominated in Hong Kong dollars whereas the foreign currency sales were mainly denominated in United States dollars and Swiss Franc that were contributed to the total turnover of 2.2% and 1.0% respectively (2014: 2.9% and 2.7% respectively). The expenses of the Group were mainly denominated in Renminbi. As Hong Kong dollar was pegged with United States dollar and the sales denominated in Swiss Franc was not material, the Directors of the Company ("**Directors**") considered the Group was exposed to limited risk in this aspect. Despite that, the Group's production plants were located in mainland China and the labour costs and manufacturing overheads were mainly denominated in Renminbi. The appreciation and depreciation of Renminbi might affect the overall production costs of the Group.

The Group has used a forward contract to purchase Japanese Yen for settlement of machinery purchase during the year and the Group did not have any hedging instruments outstanding as at 31 December 2015. We would continue to monitor closely the exchange rate risk arising from the Group's existing operations and new investments in future. We would further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

### Capital Commitments and Significant Investment

Capital expenditure contracted for by the Group but not yet provided in the audited consolidated financial statements as at 31 December 2015 was HKD8,304,000 (31 December 2014: HKD30,909,000), which was mainly related to the acquisition of property, plant and equipment.

### Contingent Liabilities

As at 31 December 2015, save for the granting of corporate guarantees by the Company to its wholly-owned subsidiaries as described above, the Group did not have any significant contingent liabilities.

### Employment and Remuneration Policy

As at 31 December 2015, the total number of employees of the Group was approximately 3,695 (2014: 3,201). During the year, staff costs (including Directors' emoluments) amounted to approximately HKD272,535,000 (2014: HKD215,765,000). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to all levels of personnel.

The Company had adopted a share option scheme to incentivise its senior management and employees. As at 31 December 2015, no options had been granted by the Company pursuant to the share option scheme.

## OUTLOOK

The pickup of global economy for the year 2016 is projected to be gradual and slow. A modest and uneven recovery is expected to continue in advanced economies and that of developing countries will be challenging. The ongoing slowdown of Chinese economy, lower commodity prices and strains in some large emerging market economies will further suppress demand. Facing such difficult conditions, we remain focus on the business segments that we have strengths and expertise. With the extensive experience of our core team and our advanced technology in handling precision stainless steel materials and product design, we are very optimistic on the development of stainless steel product business ahead. We are committed to improve our operational efficiency and will make the best use of our resources to enhance our profitability for the purpose of achieving the sustainable growth of the Group.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

| | Notes | **2015** **HKD'000** | 2014 HKD'000 |
|---|---|---|---|
| Turnover | 3 | **720,921** | 543,666 |
| Cost of goods sold | | **(518,844)** | (389,000) |
| Gross profit | | **202,077** | 154,666 |
| Other income | | **3,369** | 5,444 |
| Other gains and losses | | **1,639** | (3,876) |
| Selling and distribution costs | | **(26,491)** | (22,583) |
| Administrative expenses | | **(76,758)** | (71,575) |
| Finance costs | 4 | **(3,928)** | (4,390) |
| Profit before taxation | 5 | **99,908** | 57,686 |
| Taxation | 6 | **(19,176)** | (12,016) |
| Profit for the year | | **80,732** | 45,670 |
| Other comprehensive expense | | | |
| Item that may be subsequently reclassified to profit or loss: | | | |
| – exchange differences on translation of financial statements of foreign operation | | **(25,697)** | (11,825) |
| Total comprehensive income for the year | | **55,035** | 33,845 |
| Earnings per share - Basic | 7 | **HK16.1 cents** | HK9.1 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

| | Notes | **2015** **HKD'000** | 2014 HKD'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **354,797** | 337,560 |
| Prepaid lease payments | | **34,507** | 36,952 |
| Deposit for land use right | | **21,668** | 22,685 |
| Deposits paid for acquisition of property, plant and equipment | | **3,713** | 13,689 |
| Deposit and prepayments for a life insurance policy | | **4,338** | 4,588 |
| | | **419,023** | 415,474 |
| Current assets | | | |
| Inventories | | **50,385** | 75,394 |
| Trade and other receivables | 9 | **99,202** | 69,515 |
| Bank balances and cash | | **196,295** | 177,653 |
| | | **345,882** | 322,562 |
| Current liabilities | | | |
| Trade and other payables | 10 | **74,420** | 72,388 |
| Taxation payable | | **9,468** | 3,552 |
| Bank borrowings – amount due within one year | | **93,569** | 74,469 |
| | | **177,457** | 150,409 |
| Net current assets | | **168,425** | 172,153 |
| Total assets less current liabilities | | **587,448** | 587,627 |
| Non-current liability | | | |
| Bank borrowings – amount due after one year | | **28,000** | 58,214 |
| | | **559,448** | 529,413 |
| Capital and reserves | | | |
| Share capital | | **50,000** | 50,000 |
| Reserves | | **509,448** | 479,413 |
| | | **559,448** | 529,413 |

## NOTES

### 1. General

The Company is a limited company incorporated in Cayman Island and its shares are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Its ultimate holding company is Ming Fung Holdings (Hong Kong) Limited, a company with limited liability incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Yiu Hon Ming, who is also the Chairman and Managing Director of the Company. The Company is an investment holding company and the principal activities of its principal subsidiaries are manufacture and trading in stainless steel products.

The consolidated financial statements are presented in Hong Kong dollars ("**HKD**"), which is the same as the functional currency of the Company.

### 2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

| | |
|---|---|
| Amendments to HKAS 19 | Defined benefit plans: Employee contributions |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2010 - 2012 cycle |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2011 - 2013 cycle |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 | Financial instruments[2] |
| HKFRS 15 | Revenue from contracts with customers[2] |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2012-2014 cycle[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture[3] |
| Amendments to HKFRS 10 and HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception[1] |
| Amendments to HKFRS 11 | Accounting for acquisitions of interests in joint operations[1] |
| Amendments to HKAS 1 | Disclosure initiative[1] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation[1] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer plants[1] |

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[3] Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company are in the process of assessing the impact of application of HKFRS 9 in the future on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised HKFRSs or amendments will have no material impact on the consolidated financial statements of the Group.

## 3. Turnover and Segment Information

The Group's operating activities are attributable to a single reporting segment focusing on manufacture and trading of stainless steel products. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to HKFRSs, that are regularly reviewed by the chief operating decision makers ("**CODM**"), who are the members of executive directors of the Company. The CODM regularly reviews revenue analysis by products, including watch bracelets, costume jewellery, mobile phone cases and parts and accessories and parts for leather goods, and by locations of customers, including Switzerland, Liechtenstein, Hong Kong, PRC and other countries. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance by respective products and locations of customers. The CODM reviews the results of the Group as a whole to make decisions. Accordingly, no analysis of this single reporting segment is presented.

Turnover represents the fair value of the consideration received or receivable for goods sold to outside customers during the year.

Turnover by products are as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HKD'000** | HKD'000 |
| Watch bracelets | **440,066** | 389,120 |
| Costume jewellery | **247,047** | 126,498 |
| Mobile phone cases and parts | **23,099** | 6,237 |
| Accessories and parts for leather goods | **10,709** | 21,811 |
| | **720,921** | 543,666 |

Turnover from external customers based on locations of customers attributed to the Group by geographical areas are as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HKD'000** | HKD'000 |
| Switzerland | **424,265** | 366,627 |
| Liechtenstein | **235,072** | 103,625 |
| Hong Kong | **27,715** | 43,486 |
| PRC | **21,812** | 6,672 |
| Other countries | **12,057** | 23,256 |
| | **720,921** | 543,666 |

Turnover from customers of the corresponding year contributing over 10% of the total turnover of the Group are as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HKD'000** | HKD'000 |
| Customer A[1] | **387,252** | 315,408 |
| Customer B[2] | **235,072** | 103,625 |

Notes:

1 Turnover from sales of watch bracelets.

2 Turnover from sales of costume jewellery and accessories.

As at 31 December 2015, substantially all of the non-current assets of the Group were located in the Mainland China amounting to HKD413,862,000 (2014: HKD407,553,000).

## 4. Finance Costs

| | **2015** | 2014 |
|---|---|---|
| | **HKD'000** | HKD'000 |
| Interests on bank borrowings | **3,928** | 4,390 |

## 5. Profit Before Taxation

| | 2015 HKD'000 | 2014 HKD'000 |
|---|---|---|
| Profit before taxation has been arrived at after charging: | | |
| Directors' remuneration | **4,698** | 3,161 |
| Other staff's retirement benefits scheme contributions | **18,551** | 13,662 |
| Other staff costs | **249,286** | 198,942 |
| | **272,535** | 215,765 |
| Auditor's remuneration | **1,300** | 1,220 |
| Cost of inventories recognised as expenses | **498,946** | 374,882 |
| Depreciation on property, plant and equipments | **31,465** | 24,998 |
| Release of prepaid lease payments | **823** | 823 |
| Operating lease rentals in respect of rented premises | **2,311** | 2,203 |
| Write-off of trade receivables | **–** | 2,500 |

## 6. Taxation

| | 2015 HKD'000 | 2014 HKD'000 |
|---|---|---|
| The tax charge comprises: | | |
| Current tax – Hong Kong Profits Tax | | |
| Current year | **13,552** | 9,238 |
| Overprovision in prior years | **(40)** | (65) |
| | **13,512** | 9,173 |
| Current tax – PRC Enterprise Income Tax ("**PRC EIT**") | | |
| Current year | **5,496** | 2,688 |
| Underprovision in prior years | **168** | 155 |
| | **5,664** | 2,843 |
| | **19,176** | 12,016 |

### Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

### PRC EIT

Under the Law of the PRC on EIT ("**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Tax charge for the year is reconciled to profit before taxation as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HKD'000** | HKD'000 |
| Profit before taxation | **99,908** | 57,686 |
| Tax charge at the domestic income tax rate at 16.5% (2014: 16.5%) | **16,485** | 9,518 |
| Tax effect of income not taxable for tax purposes | **(417)** | (368) |
| Tax effect of expenses not deductible for tax purposes | **277** | 185 |
| Tax effect of tax losses not recognised | **1,092** | 2,117 |
| Tax effect of different tax rates applied to certain subsidiaries regarded as foreign enterprises in the PRC | **1,611** | 474 |
| Underprovision in prior years | **128** | 90 |
| Taxation for the year | **19,176** | 12,016 |

## 7. Earnings Per Share

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

| | **2015** | 2014 |
|---|---|---|
| | **HKD'000** | HKD'000 |
| Earnings for the purposes of calculating basic earnings per share (profit for the year attributable to owners of the Company) | **80,732** | 45,670 |

| | **2015** | 2014 |
|---|---|---|
| | **'000** | '000 |
| Number of shares for the purpose of calculating basic earnings per share | **500,000** | 500,000 |

No dilutive earnings per share is presented as there were no potential dilutive shares in both years.

## 8. Dividends

| | 2015 HKD'000 | 2014 HKD'000 |
|---|---|---|
| Dividends recognised as distribution during the year: | | |
| 2013 final dividend - HK1 cent per ordinary share | **–** | 5,000 |
| 2014 interim dividend - HK2 cents per ordinary share | **–** | 10,000 |
| 2014 final dividend - HK2 cents per ordinary share | **10,000** | – |
| 2015 interim dividend – HK3 cents per ordinary share | **15,000** | – |
| | **25,000** | 15,000 |

On 29 March 2016, a final dividend of HK4 cents (2014: HK2 cents) in respect of the year ended 31 December 2015 per ordinary share, totalling HKD20,000,000 (2014: HKD10,000,000), has been proposed by the board of directors of the Company. The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

## 9. Trade and Other Receivables

| | 2015 HKD'000 | 2014 HKD'000 |
|---|---|---|
| Trade receivables | **71,643** | 49,039 |
| Prepayments and deposits | **8,529** | 8,716 |
| Prepaid lease payments | **796** | 818 |
| Value added tax receivables | **14,609** | 6,937 |
| Prepayment for a life insurance policy | **446** | 446 |
| Others | **3,179** | 3,559 |
| | **99,202** | 69,515 |

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 90 days by the customers from date of issuance. A longer credit period may be granted to large or long-established customers with good payment history. The following is an aged analysis of trade receivables at the end of each reporting period based on the invoice date, which approximated the respective revenue recognition dates.

| | 2015 HKD'000 | 2014 HKD'000 |
|---|---|---|
| **Age** | | |
| 0 to 30 days | **53,566** | 35,572 |
| 31 to 60 days | **12,389** | 8,678 |
| 61 to 90 days | **4,058** | 3,092 |
| Over 90 days | **1,630** | 1,697 |
| | **71,643** | 49,039 |

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period. The directors considered that the trade receivables that are neither past due nor impaired have a good credit quality.

As at 31 December 2015, included in the Group's trade receivable balances are trade receivables with aggregate carrying amount of HKD8,060,000 (2014: HKD7,731,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired is as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HKD'000** | HKD'000 |
| **Overdue** | | |
| Within 60 days | **7,953** | 6,392 |
| 61 to 90 days | **71** | 772 |
| Over 90 days | **36** | 567 |
| | **8,060** | 7,731 |

## 10. Trade and Other Payables

| | **2015** | 2014 |
|---|---|---|
| | **HKD'000** | HKD'000 |
| Trade payables | **33,494** | 31,238 |
| Payroll and welfare payable | **17,405** | 15,816 |
| Other tax payables | **5,478** | 4,236 |
| Commissions and other payables to intermediary agents | **7,798** | 7,094 |
| Payables for acquisition of property, plant and equipment | **7,256** | 10,581 |
| Others | **2,989** | 3,423 |
| | **74,420** | 72,388 |

The Group normally receives credit terms of 30 to 90 days from its suppliers. The following is an aged analysis of trade payables at the end of the reporting period based on invoice date:

| | **2015** | 2014 |
|---|---|---|
| | **HKD'000** | HKD'000 |
| **Age** | | |
| 0 to 30 days | **12,940** | 11,566 |
| 31 to 60 days | **13,210** | 10,899 |
| 61 to 90 days | **3,618** | 6,425 |
| Over 90 days | **3,726** | 2,348 |
| | **33,494** | 31,238 |

## CORPORATE GOVERNANCE

The Company has applied the principles of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules and complied with all the applicable code provisions of the CG Code, save and except for the deviations from code provisions A.2.1 and A.6.7.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yiu Hon Ming is the Chairman and Managing Director (being defined as Chief Executive under the CG Code) of the Company who is responsible for overseeing the overall operations of the Group. Mr. Yiu is the founder of the Group who possesses comprehensive knowledge and experience of the industry and has in-depth understanding of the Group's overall operations. Directors consider this structure is conducive to strong and consistent leadership, and effective and efficient planning and implementation of business decisions and strategies of the Group. The Board meets regularly to discuss major matters affecting the Group's operations and considers this structure does not impair the balance of power and authority between the Board and the management of the Company.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An Independent Non-executive Director, was unable to attend the Company's annual general meeting held on 26 May 2015 due to his other business engagements.

The audit committee of the Company ("**Audit Committee**") comprises wholly Independent Non-executive Directors of the Company. The Audit Committee has reviewed with the management of the Company and the external auditor, Messrs. Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and also discussed auditing, internal controls and financial reporting matters including the review of the Group's audited consolidated financial statements for the year ended 31 December 2015.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2015, the Company or any of its subsidiaries had not purchased, sold or redeemed any of its listed securities.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended 31 December 2015 and up to the date of this announcement.

## PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## PROPOSED FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board recommended a final dividend of HK4 cents per ordinary share (2014: HK2 cents per ordinary share) in respect of the year ended 31 December 2015, payable on or about Friday, 10 June 2016 to the shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company ("**Register of Members**") at the close of business on Friday, 27 May 2016. The payment of final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 23 May 2016 ("**2016 AGM**").

## BOOK CLOSURE

For the purpose of ascertaining the Shareholders' right to attend and vote at the 2016 AGM, the Register of Members will be closed from Friday, 20 May 2016 to Monday, 23 May 2016 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2016 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong ("**Branch Share Registrar**") for registration not later than 4.30 p.m. on Thursday, 19 May 2016.

For the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed on Friday, 27 May 2016, on which no transfer of shares of the Company will be registered. In order to be entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar for registration not later than 4:30 p.m. on Thursday, 26 May 2016.

## PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This preliminary final results announcement is published on the websites of the Company (www.winox.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2015 will be despatched to the Shareholders and make available on the abovementioned websites in due course.

By Order of the Board
**Yiu Hon Ming**
*Chairman and Managing Director*

Hong Kong • 29 March 2016

As at the date of this announcement, the Board comprises (a) five Executive Directors, namely, Mr. Yiu Hon Ming, Ms. Law Wai Ping, Mr. Chau Kam Wing Donald, Mr. Li Chin Keung and Ms. Yiu Ho Ting; (b) one Non-executive Director, namely, Mr. Au Wai Ming; and (c) three Independent Non-executive Directors, namely, Mr. Carson Wen, Professor Wong Lung Tak Patrick and Mr. Wu Ming Lam.