WINOX

WINOX HOLDINGS LIMITED
盈利時控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 6838)

2016 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

- The Group's turnover amounted to HKD574,318,000, representing a corresponding decrease of 20.3%.
- The Group's gross profit amounted to HKD153,710,000, representing a corresponding decrease of 23.9%.
- The Group's profit for the year amounted to HKD48,704,000, representing a corresponding decrease of 39.7%.
- Earnings per share amounted to HK9.7 cents, representing a corresponding decrease of 39.8%.
- The Board proposed a final dividend of HK3 cents per ordinary share and a special dividend of HK3 cents per ordinary share, totaling HK6 cents per ordinary share and amounting to approximately HK$30,000,000 in total for the year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the global demand for luxury goods was further weakened by the continuous slowdown in global economy and the increased geopolitical uncertainties. For the year ended 31 December 2016, Winox Holdings Limited ("**Company**") recorded a decrease of 20.3% in turnover as compared to last year which was mainly due to the decline in sales of watch bracelets and costume jewellery. The gross profit margin was eroded by the increase in labour cost, however there was some balancing effect from the depreciation of Reminbi during the year. In order to weather this critical operation environment, we shall remain prudent and implement stringent cost control policy and advance our supply chain management for the sustainable development of the Group.

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.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2016, the Group's turnover decreased by 20.3% to HKD574,318,000 (2015: HKD720,921,000) 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 55.5%, 20.9%, 20.3% and 3.3% respectively (2015: 61.0%, 34.3%, 3.2% and 1.5% respectively).

During the year 2016, export value of Swiss made watches fell by 9.9% as compared to last year. The Group's turnover of watch bracelets reported a decline of 27.6% to HKD318,583,000 (2015: HKD440,066,000) as compared to last year.

Turnover of costume jewellery recorded a decline of 51.3% to HKD120,368,000 (2015: HKD247,047,000).

During the year, sales of mobile phone cases and parts was HKD116,525,000 (2015: HKD23,099,000), representing a significant increase of 404.5% as compared to last year.

Sales of accessories and parts for leather goods amounted to HKD18,842,000 (2015: HKD 10,709,000), representing an increase of 75.9% as compared to last year.

Profit

As a result of the decrease in sales, gross profit dropped by 23.9% to HKD153,710,000 (2015: HKD202,077,000) as compared to last year. Gross profit margin for the year slightly reduced to 26.8% (2015: 28.0%) mainly due to the increase in labour cost. Profit for the year decreased by 39.7% to HKD48,704,000 (2015: HKD80,732,000) and basic earnings per share for the year decreased by 39.8% to HK9.7 cents (2015: HK16.1cents).

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 2016:

	2016	2015
	HKD'000	HKD'000
Direct material costs	**137,532**	177,249
Direct labour costs	**198,504**	226,604
Manufacturing overhead and other costs	**84,572**	114,991
	420,608	518,844

For the year ended 31 December 2016, direct material costs accounted for about 32.7% (2015: 34.1%) of the total cost of sales.

For the year ended 31 December 2016, direct labour costs accounted for about 47.2% (2015: 43.7%) of the total cost of sales, the increase was mainly due to the continuous increase in wages. Manufacturing overhead and other costs accounted for about 20.1% (2015: 22.2%) of the total cost of sales for the year.

Other Income

Other income increased by approximately 83.7% to HKD6,189,000 for the year as compared to HKD3,369,000 for last year which was primarily due to government grant received during the year.

Other gains and losses

Other gains and losses for the year amounted to HKD2,706,000 (2015: HKD1,639,000). The increase in other gains and losses was mainly due to the net exchange gains from the depreciation of Renminbi during the year.

Expenses

Selling and distribution costs declined by approximately 23.6% to HKD20,249,000 for the year as compared to HKD26,491,000 for last year which was in line with the decrease in turnover.

Administrative expenses increased slightly by 2.7% to HKD78,811,000 (2015: HKD76,758,000).

During the year, the Group raised and repaid bank borrowings of HKD38,500,000 and HKD49,099,000 respectively. Finance costs for the year ended 31 December 2016 amounted to HKD4,522,000 (2015: HKD3,928,000), representing an increase of 15.1%.

Taxation

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

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

Inventories

	2016	2015
	HKD'000	HKD'000
Raw materials	**9,550**	12,469
Work in progress	**33,023**	35,000
Finished goods	**10,874**	2,916
	53,447	50,385

As at 31 December 2016, the Group recorded an inventory balance of HKD53,447,000 (31 December 2015: HKD50,385,000), representing an increase of 6.1% which was mainly due to the increase in finished goods at the end of the year. The inventory turnover of the Group for the year ended 31 December 2016 was 45.2 days as compared to 44.2 days for the year ended 31 December 2015.

Trade Receivables

As at 31 December 2016, the Group recorded trade receivables of HKD88,938,000 (31 December 2015: HKD71,643,000). 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 which 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 2016 was 51.2 days (for the year ended 31 December 2015: 30.6 days). The increase in trade receivables turnover was mainly due to the increase in sales of mobile phone cases and parts which, according to the industry practice, have in general credit period of 90 days.

Trade Payables

As at 31 December 2016, the Group recorded trade payables of HKD42,852,000 (31 December 2015: HKD33,494,000). 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 2016 was 33.2 days (for the year ended 31 December 2015: 22.8 days).

Liquidity, Indebtedness and Charges on Assets

During the year, the Group maintained a satisfactory liquidity level. As at 31 December 2016, net current assets of the Group was HKD180,678,000 (31 December 2015: HKD168,425,000). Besides, the Group had cash and bank balances of HKD179,247,000 (31 December 2015: HKD196,295,000), of which 64.6% was in Hong Kong dollars, 16.1% was in United State dollars, 15.0% was in Renminbi, and 4.3% was in Swiss Franc and other currencies.

As at 31 December 2016, the Group's outstanding bank borrowings totalled HKD110,739,000 (31 December 2015: HKD121,569,000), of which 97.0% was in Hong Kong dollars and 3.0% 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 other bank borrowings contained repayment on demand clause at any time at the discretion of the bank. According to 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 2016 in accordance with the settlement term. Of the total bank borrowings, according to the repayment schedule, HKD3,350,000 was short-term revolving loans, HKD32,568,000 was loans repayable within one year and the balance of HKD74,821,000 was repayable after one year.

Parts of the bank loans were secured by certain of the Group's assets with an aggregate carrying value of HKD49,888,000 as at 31 December 2016. The charged assets included a piece of land in Dongguan where our factory was situated and 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 2016, the total unutilized banking facilities available for the Group was amounted to HKD26,567,000 (2015: HKD63,253,000).

As at 31 December 2016, the Group's gearing ratio was 0.15 (31 December 2015: 0.16), 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 2016, 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 23.2% and 0.1% respectively (2015: 2.2% and 1.0% respectively). The expenses of the Group were mainly denominated in Renminbi. As Hong Kong dollars was pegged with United States dollars 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 overhead were mainly denominated in Renminbi. The appreciation and depreciation of Renminbi might affect the overall production costs of the Group.

During the year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2016. We would continue to monitor closely the exchange rate risk arising from the Group's existing operations and new investments in future. We would 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 2016 was HKD10,346,000 (31 December 2015: HKD8,304,000), which was mainly related to the acquisition of property, plant and equipment.

Contingent Liabilities

As at 31 December 2016, 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 2016, the total number of employees of the Group was approximately 3,272 (2015: 3,695). During the year, staff costs (including Directors' emoluments) amounted to approximately HKD236,274,000 (2015: HKD272,535,000). 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 incentivize, among others, its senior management and employees. As at 31 December 2016, no options had been granted by the Company pursuant to the share option scheme.

OUTLOOK

The world has entered into a period of greater political uncertainty in 2017 along with the impact from the implementation of Brexit and the results of the coming elections in the Eurozone. Although the U.S. economy will likely see a modest upside from stronger business confidence and possibly some tax relief later in 2017, but this is not the only possible scenario in the outlook. The China economy has become more stable after the reform underwent for the past years but the real pick up is yet to see. Facing such difficult conditions, we remain focused 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 improving our operation 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	**2016** **HKD'000**	2015 HKD'000
Turnover	3	**574,318**	720,921
Cost of goods sold		**(420,608)**	(518,844)
Gross profit		**153,710**	202,077
Other income		**6,189**	3,369
Other gains and losses		**2,706**	1,639
Selling and distribution costs		**(20,249)**	(26,491)
Administrative expenses		**(78,811)**	(76,758)
Finance costs	4	**(4,522)**	(3,928)
Profit before taxation	5	**59,023**	99,908
Taxation	6	**(10,319)**	(19,176)
Profit for the year		**48,704**	80,732
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
– exchange differences on translation of financial statements of foreign operation		**(32,479)**	(25,697)
Total comprehensive income for the year		**16,225**	55,035
Earnings per share - Basic	7	**HK9.7 cents**	HK16.1 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	Notes	**2016** **HKD'000**	2015 HKD'000
Non-current assets			
Property, plant and equipment		**323,558**	354,797
Prepaid lease payments		**31,576**	34,507
Deposit for land use right		**20,276**	21,668
Deposits paid for acquisition of property, plant and equipment		**10,074**	3,713
Deposit and prepayments for a life insurance policy		**4,261**	4,338
		389,745	419,023
Current assets			
Inventories		**53,447**	50,385
Trade and other receivables	9	**112,467**	99,202
Taxation recoverable		**4,139**	-
Bank balances and cash		**179,247**	196,295
		349,300	345,882
Current liabilities			
Trade and other payables	10	**75,448**	74,420
Taxation payable		**5,185**	9,468
Bank borrowings – amount due within one year		**87,989**	93,569
		168,622	177,457
Net current assets		**180,678**	168,425
Total assets less current liabilities		**570,423**	587,448
Non-current liability			
Bank borrowings – amount due after one year		**22,750**	28,000
		547,673	559,448
Capital and reserves			
Share capital		**50,000**	50,000
Reserves		**497,673**	509,448
		547,673	559,448

NOTES

1. General

The Company is a limited company incorporated in the Cayman Islands 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")

Amendments to HKFRSs that are mandatorily effective for the current year

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 HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to Hong Kong Accounting Standards ("HKAS") 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based transaction[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[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 15	Classification to HKFRS 15 "Revenue from contracts with customers" operations[1]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to determine.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairments for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

In relation to the impairment of financial assets, HKFRS 9 requires as expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 " Financial instruments: Recognition and measurement". 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.

In general, the directors of the Company anticipate that the application of the expected credit loss model HKFRS 9 will result in earlier recognition of credit losses for the respective items and are currently assessing the potential impact.

It should be noted that the above assessments were made based on analysis of the Group's financial assets and financial liabilities as at 31 December 2016 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 January 2018 as the Group does not intend to early apply the standard, the assessment of the potential impact is subject to change.

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate the application of HKFRS 15 on the future may result in more disclosures but will not have an impact on the timing and amounts of revenue recognised in the respective reporting period.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

HKFRS 16 "Leases" - continued

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by HKFRS 16.

A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the financial performance and position and/or the disclosures when they become effective.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs 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 and other European countries, Taiwan, Hong Kong, PRC and others. In the current year, revenue from Liechtenstein and other European countries are grouped together as the CODM considered them as one key area. Accordingly, the comparative figures of turnover by locations of customers have been restated for the purpose of revenue analysis to conform to the current year's presentation. 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:

	2016 **HKD'000**	2015 HKD'000
Watch bracelets	**318,583**	440,066
Costume jewellery	**120,368**	247,047
Mobile phone cases and parts	**116,525**	23,099
Accessories and parts for leather goods	**18,842**	10,709
	574,318	720,921

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

	2016 **HKD'000**	2015 HKD'000
Switzerland	**301,179**	424,265
Liechtenstein and other European countries	**114,142**	245,522
Taiwan	**85,986**	-
PRC	**31,097**	21,812
Hong Kong	**27,901**	27,715
Other countries	**14,013**	1,607
	574,318	720,921

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

	2016 HKD'000	2015 HKD'000
Customer A[1]	**286,906**	387,252
Customer B[2]	**93,953**	235,072
Customer C[3, 4]	**85,539**	-

Notes:

1 Turnover from sales of watch bracelets.

2 Turnover from sales of costume jewellery and accessories.

3 Turnover from sales of mobile phone cases and parts.

4 The customer contributed less than 10% of total revenue of the Group in 2015.

As at 31 December 2016, substantially all of the non-current assets of the Group were located in the PRC amounting to HKD381,226,000 (2015: HKD413,862,000).

4. Finance Costs

	2016 HKD'000	2015 HKD'000
Interests on bank borrowings	**4,522**	3,928

5. Profit Before Taxation

	2016 HKD'000	2015 HKD'000
Profit before taxation has been arrived at after charging(crediting):		
Directors' remuneration	**5,463**	4,698
Other staff's retirement benefits scheme contributions	**17,639**	18,551
Other staff costs	**213,172**	249,286
Total staff costs	**236,274**	272,535
Auditor's remuneration	**1,300**	1,300
Cost of inventories recognised as expenses	**406,624**	498,946
Depreciation on property, plant and equipments	**32,807**	31,465
Release of prepaid lease payments	**778**	823
Operating lease rentals in respect of rented premises	**2,276**	2,311
Bank interest income	**(202)**	(1,168)

6. Taxation

	2016 HKD'000	2015 HKD'000
The tax charge comprises:		
Current tax – Hong Kong Profits Tax		
Current year	**6,564**	13,552
Overprovision in prior years	**(40)**	(40)
	6,524	13,512
Current tax – PRC Enterprise Income Tax ("**PRC EIT**")		
Current year	**4,826**	5,496
(Over)underprovision in prior years	**(1,031)**	168
	3,795	5,664
	10,319	19,176

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:

	2016 HKD'000	2015 HKD'000
Profit before taxation	**59,023**	99,908
Tax charge at the domestic income tax rate at 16.5% (2015: 16.5%)	**9,739**	16,485
Tax effect of income not taxable for tax purposes	**(1,631)**	(417)
Tax effect of expenses not deductible for tax purposes	**150**	277
Tax effect of tax losses not recognised	**2,138**	1,092
Tax effect of different tax rates applied to certain subsidiaries regarded as foreign enterprises in the PRC	**1,171**	1,611
Utilisation of tax losses previously not recognised	**(177)**	-
Underprovision in prior years	**(1,071)**	128
Taxation for the year	**10,319**	19,176

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:

	2016	2015
	HKD'000	HKD'000
Earnings for the purposes of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**48,704**	80,732

	2016	2015
	'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

	2016	2015
	HKD'000	HKD'000
Dividends recognised as distribution during the year:		
2014 final dividend - HK2 cents per ordinary share	**–**	10,000
2015 interim dividend - HK3 cents per ordinary share	**–**	15,000
2015 final dividend - HK4 cents per ordinary share	**20,000**	–
2016 interim dividend – HK1.6 cents per ordinary share	**8,000**	–
	28,000	25,000

On 27 March 2017, a final dividend of HK3 cents (2015: HK4 cents) and a special dividend of HK3 cents (2015: nil) per ordinary share in respect of the year ended 31 December 2016, totalling HKD30,000,000 (2015: HKD20,000,000), has been proposed by the board of directors of the Company. The final and special dividend are subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

9. Trade and Other Receivables

	2016	2015
	HKD'000	HKD'000
Trade receivables	**88,938**	71,643
Prepayments and deposits	**7,661**	8,529
Prepaid lease payments	**745**	796
Value added tax receivables	**12,351**	14,609
Prepayment for a life insurance policy	**326**	446
Others	**2,446**	3,179
	112,467	99,202

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.

	2016	2015
	HKD'000	HKD'000
Age		
0 to 30 days	**58,523**	53,566
31 to 60 days	**25,570**	12,389
61 to 90 days	**2,579**	4,058
Over 90 days	**2,266**	1,630
	88,938	71,643

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 2016, included in the Group's trade receivable balances are trade receivables with aggregate carrying amount of HKD9,746,000 (2015: HKD8,060,000) 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:

	2016	2015
	HKD'000	HKD'000
Overdue		
Within 60 days	**9,436**	7,953
61 to 90 days	**21**	71
Over 90 days	**289**	36
	9,746	8,060

The directors of the Company anticipate a full recovery of these amounts.

10. Trade and Other Payables

	2016	2015
	HKD'000	HKD'000
Trade payables	**42,852**	33,494
Payroll and welfare payable	**14,170**	17,405
Other tax payables	**4,851**	5,478
Commissions and other payables to intermediary agents	**7,992**	7,798
Payables for acquisition of property, plant and equipment	**2,039**	7,256
Others	**3,544**	2,989
	75,448	74,420

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:

	2016	2015
	HKD'000	HKD'000
Age		
0 to 30 days	**16,974**	12,940
31 to 60 days	**19,264**	13,210
61 to 90 days	**5,159**	3,618
Over 90 days	**1,455**	3,726
	42,852	33,494

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 throughout the year, 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 23 May 2016 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 2016.

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

For the year ended 31 December 2016, 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 2016 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 2016 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 AND SPECIAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board recommended a final dividend of HK3 cents per ordinary share (2015: HK4 cents) and a special dividend of HK3 cents per ordinary share (2015: Nil), totaling HK6 cents per ordinary share, in respect of the year ended 31 December 2016, payable on or about Friday, 9 June 2017 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, 26 May 2017. The payment of final and special dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 22 May 2017 ("**2017 AGM**").

BOOK CLOSURE

For the purpose of ascertaining the Shareholders' right to attend and vote at the 2017 AGM, the Register of Members will be closed from Friday, 19 May 2017 to Monday, 22 May 2017 (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 2017 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, 18 May 2017.

For the purpose of ascertaining the Shareholders' entitlement to the proposed final and special dividend, the Register of Members will be closed on Friday, 26 May 2017, on which no transfer of shares of the Company will be registered. In order to be entitled to the proposed final and special 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, 25 May 2017.

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 2016 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 • 27 March 2017

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.