WINOX

WINOX HOLDINGS LIMITED
盈利時控股有限公司

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

2013 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- The Group's turnover amounted to HKD546,218,000, representing a corresponding decrease of 14.0%.
- The Group's gross profit amounted to HKD149,407,000, representing a corresponding decrease of 34.2%.
- The Group's profit for the year amounted to HKD46,326,000, representing a corresponding decrease of 57.7%.
- Earnings per share amounted to HK9.3 cents, representing a corresponding decrease of 57.5%.
- The Board proposed a final dividend of HK1 cent per ordinary share for the year ended 31 December 2013.

CHAIRMAN'S STATEMENT

On behalf of the board ("**Board**") of directors ("**Directors**") of Winox Holdings Limited ("**Company**", together with its subsidiaries, "**Group**"), I am pleased to present the Group's annual results for the financial year ended 31 December 2013.

FINANCIAL PERFOMANCE

Turnover of the Group for the year ended 31 December 2013 was HKD546,218,000 (2012: HKD635,275,000), a drop of 14.0%. Profit for the year and earnings per share were HKD46,326,000 (2012:HKD109,560,000) and HK9.3 cents (2012: HK21.9 cents) respectively.

During the year, our key turnover-generated business segments were adversely affected by the challenging global economy and the critical operating environment in the industry. Under the slowdown of market demand for premium watches and other premium products, the escalated staff and labour cost, the appreciation of Renminbi, and the cost of additional resources for the development of the mobile phone cases and parts product segment, the turnover of the Group was sluggish which further dragged down the profit margins. In order to weather these intensified commercial risks, the Group continued to maintain prudent measures to improve its operational efficiency.

DIVIDENDS

The Board recommends the payment of a final dividend of HK1 cent per share (2012: HK7 cents per share), and is subject to the approval of shareholders of the Company ("**Shareholders**") at the 2014 annual general meeting. Together with the interim dividend of HK4 cents per share paid in September 2013, total dividend for the year ended 31 December 2013 is HK5 cents per share.

BUSINESS

The year 2013 was full of challenges. During the year, we experienced strong head-wind with many manufacturers. Turnover and profits of the Group were impeded by the discouraged consumption and weakened demand in luxury items in Asia, especially in the People's Republic of China as a result of the softened growth of China's economy and its structural reforms, together with other ongoing operating hurdles facing the manufacturers.

During the year, except the segment of mobile phone cases and parts, all business units, namely watch bracelets, costume jewellery and accessories and parts for leather goods recorded material dropped in turnover. The profit margins were eroded by the increase in raw material costs for the manufacture of premium products and the surge of labour cost and exchange differences. Watch bracelet remained the largest turnover contributor to the Group, followed by costume jewellery, mobile phone cases and parts and accessories and parts for luxury leather goods in that order. Amongst, the segment of mobile phone cases and parts achieved a material growth of turnover in 2013. It is expected that turnover derived from this segment shall grow stronger in the following years but yet, additional resources shall be invested in order to attain scale production. Albeit by a number of unfavourable factors, the Group maintained solid asset base and liquidity which enabled us to meet the challenges in future.

In 2012, the Group acquired the entire equity interest of Bo Luo Ming Fung Kitchen Appliance Manufacturing Limited (博羅明豐廚具製造有限公司) and planned to develop its self-owned plots of land at Huizhou, People's Republic of China into factory and ancillary buildings so as to facilitate our expansion and product diversification strategy. The construction work for the first phase development was commenced in January 2013 and is slated to operate by 2014.

OUTLOOK

In 2013, the growth in luxury consumption was down in China due to the structural reforms carried out by the Chinese government which had retarded the turnover of the luxury retailers and manufacturers. Nevertheless, in view of the gradual improvements of the United States and European economies and the determination of the Chinese government to transform China into a healthier and consumption driven economy, it is expected that the luxury expenditure will be stabilising and the export volume will pick up eventually. For longer term, we still believe a steady demand on precision stainless steel products. We aim at taking advantage of utilising our strengths and expertise to explore new business opportunities in order to alleviate concentration risk. Meanwhile, we shall keep monitoring closely the potential financial challenges of global economy recovery and take steps to formulate the corresponding counter-measures. We are committed to improve our operational efficiency and leverage our resources to enhance our profitability for the purpose of achieving a sustainable growth of the Group and creating values for our shareholders and investors as a whole.

CORPORATE SUSTAINABILITY

The Group adopts a product diversification model which provides a significant platform for us to broaden our customer base and expand our market share in the industry. The Group utilises its resources strategically to advance its skills and technology so as to enrich our product variety and sophistication. We commit to work closely with our customers to deliver quality and cost-effective products efficiently. This enables us to maintain long-term business relationship with our stakeholders. Our goal is to put continuous efforts to reinforce our operational efficiency so as to achieve long-term business sustainability and drive improvement.

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to my fellow Directors, our senior management and staff and stakeholders for their continuous contributions to facilitate the growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2013 was filled with challenges. During the year ended 31 December 2013, the Company recorded a decline of 14.0% in turnover, which was mainly due to the slowdown of market demand for premium watches and other premium products. The escalated staff and labour cost, the appreciation of Renminbi, and the cost of additional resources for the development of the mobile phone cases and parts product segment further affected the Group’s profit margin. In order to weather this critical operating 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 is on the development and manufacture of premium stainless steel products, and our major business segments are, namely, watch bracelets, costume jewellery, accessories and parts for leather goods and mobile phone cases and parts.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2013, the Group's audited consolidated turnover dropped by 14.0% to HKD546,218,000 (2012: HKD635,275,000) as compared to last year. Turnover attributable to watch bracelets, costume jewellery, accessories and parts for leather goods and mobile phone cases and parts were 68.8%, 18.4%, 4.0% and 8.8% respectively (2012: 73.7%, 21.1%, 4.1% and 1.1% respectively).

During the year, global demands of luxury Swiss made watches slowed down. As a result, turnover of watch bracelets reported a significant fall of 19.8% to HKD375,875,000 (2012: HKD468,505,000) during the year.

Turnover of costume jewellery dropped 25.0% to HKD100,576,000 (2012: HKD134,043,000) compared to last year. The Group will continue to maintain close relationship with our existing prominent customers and make every effort to absorb quality new clients.

The sales of accessories and parts for leather goods amounted to HKD21,571,000 (2012: HKD26,149,000), representing a decrease of 17.5%.

Mobile phone cases and parts remained our key area of product development and we started getting orders from customers in 2013. During the year, sales of mobile phone cases and parts recorded a material growth to HKD48,196,000 (2012: HKD6,578,000).

Profit

During the year, we encountered major stresses that on one hand the decrease in sales, and on the other hand, the rising labour and raw material costs and production overhead and appreciation of Renminbi. As a result, gross profit dropped significantly by 34.2% to HKD149,407,000 (2012: HKD226,941,000) as compared to last year. Gross profit margin for the year decreased to 27.4% (2012: 35.7%). Profit for the year decreased by 57.7% to HKD46,326,000 (2012: HKD109,560,000) and basic earnings per share for the year decreased by 57.5% to HK9.3 cents (2012: HK21.9 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 2013:

	2013	2012
	HKD'000	HKD'000
Direct material costs	**160,304**	170,271
Direct labour costs	**136,714**	138,571
Manufacturing overhead and other costs	**99,793**	99,492
	396,811	408,334

During the year ended 31 December 2013, direct material costs accounted for 40.4% (2012: 41.7%) 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 2013, direct labour costs and manufacturing overhead and other costs accounted for about 34.5% and 25.1% of the total cost of sales respectively (2012: 33.9% and 24.4% respectively).

Other Income

During the year, other income amounted to HKD9,011,000 (2012: HKD4,899,000) was primarily derived from the gain on disposal of scrapped materials, management fee income and bank interest income.

Other Expenses

Selling and distribution expenses decreased by approximately 25.2% to HKD23,588,000 for the year as compared to HKD31,526,000 for last year. This favourable outcome was attributable to the redefining of commission policy with both of our customers and sales executives.

Impacted primarily by the rise of salaries and appreciation of Renminbi, administrative expenses increased by 6.3% to HKD71,302,000 (2012: HKD67,106,000) during the year.

As a result of further draw down of new bank loans in 2013, finance costs for the year ended 31 December 2013 amounted to HKD4,228,000 (2012: HKD3,876,000), representing an increase of 9.1%. During the year, the Group obtained additional banking facilities of HKD100,000,000, in which HKD40,000,000 was drawn by the Group.

Taxation

The entitlement to a 50% relief from PRC Enterprise Income Tax of a subsidiary of the Group located at Dongguan expired on 31 December 2012. As a result, the tax rate applicable to the profit of this subsidiary for the year ended 31 December 2013 was 25.0% (2012: 12.5%).

Inventories

	31.12.2013 HKD'000	31.12.2012 HKD'000
Raw materials	**11,859**	17,479
Work in progress	**51,998**	59,648
Finished goods	**11,443**	3,296
	75,300	80,423

As at 31 December 2013, the Group recorded an inventory balance of HKD75,300,000 (31 December 2012: HKD80,423,000), representing a decrease of 6.4%. Inventory turnover for 2013 was 71.6 days as compared to 74.6 days for 2012.

Trade Receivables

As at 31 December 2013, the Group recorded trade receivables of HKD45,375,000 (31 December 2012: HKD80,988,000). 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 was 42.2 days (for the year ended 31 December 2012: 43.4 days).

Trade Payables

As at 31 December 2013, the Group recorded trade payables of HKD19,581,000 (31 December 2012: HKD39,831,000). Our 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 2013 was 27.3 days (for the year ended 31 December 2012: 28.7 days).

Liquidity, Indebtedness and Charges on Assets

During the year, the Group maintained a satisfactory liquidity level. As at 31 December 2013, net current assets of the Group was HKD155,535,000 (31 December 2012: HKD218,357,000). Besides, the Group had cash and bank balances of HKD167,511,000 (31 December 2012: HKD189,258,000), of which 47.5% was in Hong Kong dollars, 3.3% was in Swiss Franc, 48.8% was in Renminbi, 0.4% was in United State dollars and that in other currencies was insignificant.

The time deposit maintained by the Group matured during the year and accordingly, no time deposit in Renminbi was recorded as at 31 December 2013 (31 December 2012: HKD49,769,000).

As at 31 December 2013, the Group's outstanding bank borrowings totalled HKD123,915,000 (31 December 2012: HKD124,264,000), of which 91.7% was in Hong Kong dollars and 8.3% was in Renminbi. All of the Group's borrowings were arranged on floating rate basis. Except for certain bank borrowings which were committed loan facilities with specific maturity dates, the Group's 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 for the year ended 31 December 2013 in accordance with the settlement term. Of the total borrowings, HKD10,246,000 was short-term revolving loan, HKD41,519,000 was loans repayable within one year and the balancing of HKD72,150,000 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 HKD58,596,000 as at 31 December 2013. 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 were also secured by corporate guarantees in favour of the bank from the Company.

As at 31 December 2013, the Group's gearing ratio was 0.18 (31 December 2012: 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 2013, 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 3.9% and 2.5% respectively (2012: 3.8% and 3.6% 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 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 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 2013. 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 2013 was HKD30,915,000 (31 December 2012: HKD14,545,000), which was mainly related to the acquisition of property, plant and equipment. Capital expenditure authorised but not contracted for as at 31 December 2013 amounted to HKD139,794,000 (31 December 2012: HKD232,356,000).

Use of Proceeds

The proceeds raised from the initial public offerings in 2011 ("**IPO**") was approximately HKD198,350,000.

On 15 May 2012, the Board resolved to change the proposed use of the un-utilised net proceeds from the IPO originally allocated for financing the development of the Huzhen Factory (such as defraying the related construction and land costs) in the amount of approximately HKD46,773,000 to finance the development of the Dongfengcun Factory (such as defraying the related construction and decoration/renovation costs).

The usages of net proceeds up to 31 December 2013 were as follows:

Particulars	Planned HKD'000	Reallocated HKD'000	Utilised HKD'000	Un-utilised HKD'000
Financing the development of the Huzhen Factory	49,588	(46,773)	(2,815)	–
Financing the development of the Dongfengcun Factory	–	46,773	(46,773)	–
Acquiring equipment and machinery for the Dongfengcun Factory and Huzhen Factory and for expansion of the production facility of our existing facilities	128,927	N/A	(111,994)	16,933
General working capital and other general corporate purposes of the Group	19,835	N/A	(19,835)	–
TOTAL	**198,350**	**–**	**(181,417)**	**16,933**

The remaining net proceeds were deposited on short-term basis in licensed financial institutions in Hong Kong.

Contingent Liabilities

As at 31 December 2013, save for the granting of corporate guarantee 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 2013, the total number of employees of the Group was approximately 2,915. During the year, employees costs (including Directors' emoluments) amounted to approximately HKD179,877,000 (2012: HKD177,443,000). 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 2013, no options had been granted by the Company pursuant to the share option scheme.

PROSPECTS

During the year, the Group was experiencing a critical operating environment in China, including but not limited to keen competition in the industry, inflation of labour and material costs and appreciation of Renminbi, together with the slackening of demand in Swiss watches and the slowdown of the Asian-Pacific economy growth, the profit level of the Group was under material pressures. Nevertheless, the Group will continue to take cautious measures and explore new business opportunities that deliver sustainable value to our shareholders.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2013 HKD'000	2012 HKD'000
Turnover	3	**546,218**	635,275
Cost of goods sold		**(396,811)**	(408,334)
Gross profit		**149,407**	226,941
Other income		**9,011**	4,899
Other gains and losses		**(2,321)**	98
Selling and distribution costs		**(23,588)**	(31,526)
Administrative expenses		**(71,302)**	(67,106)
Finance costs	4	**(4,228)**	(3,876)
Profit before taxation	5	**56,979**	129,430
Taxation	6	**(10,653)**	(19,870)
Profit for the year		**46,326**	109,560
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
– exchange differences on translation of financial statement of foreign operation		**14,542**	3,555
Total comprehensive income for the year		**60,868**	113,115
Earnings per share - Basic	7	**HK9.3 cents**	HK21.9 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

	Notes	2013 HKD'000	2012 HKD'000
Non-current assets			
Property, plant and equipment		**300,710**	197,696
Prepaid lease payments		**38,711**	38,423
Deposit for land use right		**23,257**	22,586
Deposits paid for acquisition of property, plant and equipment		**10,839**	22,520
Deposit and prepayments for a life insurance policy		**4,849**	5,118
		378,366	286,343
Current assets			
Inventories		**75,300**	80,423
Trade and other receivables	9	**65,797**	102,545
Taxation recoverable		**5,332**	–
Time deposits		–	49,769
Bank balances and cash		**167,511**	189,258
		313,940	421,995
Current liabilities			
Trade and other payables	10	**55,400**	74,863
Taxation payables		**2,423**	4,511
Bank borrowings - amount due within one year		**100,582**	124,264
		158,405	203,638
Net current assets		**155,535**	218,357
Total assets less current liabilities		**533,901**	504,700
Non-current liability			
Bank borrowings – amount due after one year		**23,333**	–
		510,568	504,700
Capital and reserves			
Share capital		**50,000**	50,000
Reserves		**460,568**	454,700
		510,568	504,700

NOTES

1. General

The Company is a public limited company incorporated in Cayman Island and its shares are listed on The Stock Exchange of Hong Kong Limited ("**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 the 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. Adoption of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these consolidated financial statements as it deals only with separate financial statements.

The impact of the application of the relevant standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee; (b) it is exposed, or has rights, to variable returns from its involvement with the investee; and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company have assessed the impact of the application of HKFRS 10 and concluded that it has had no material effect on the Group's financial performance and positions for the current year and prior year.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as described above, the application of the other new or revised HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

New and revised HKFRS in issue but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[2]
HKFRS 9	Financial instruments[3]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The directors anticipate that the application of the above new and revised HKFRSs that have been issued but are not yet effective will have no material impact on the Group's and the Company's financial performance and positions.

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, accessories and parts for leather goods, and mobile phone cases and parts, and by locations of customers, including Switzerland, Liechtenstein, Hong Kong, and other countries. During the year, turnover from the People's Republic of China ("**PRC**") was separately presented as the CODM believes that PRC was part of the Group's key area of turnover. The comparative figures of turnover by location of customers have been represented for the purpose of revenue analysis to conform with 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:

	2013	2012
	HKD'000	HKD'000
Watch bracelets	**375,875**	468,505
Costume jewellery	**100,576**	134,043
Mobile phone cases and parts	**48,196**	6,578
Accessories and parts for leather goods	**21,571**	26,149
	546,218	635,275

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

	2013	2012
	HKD'000	HKD'000
Switzerland	**348,876**	434,837
Liechtenstein	**87,350**	108,919
PRC	**47,733**	6,483
Hong Kong	**39,372**	60,176
Other countries	**22,887**	24,860
	546,218	635,275

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

	2013	2012
	HKD'000	HKD'000
Customer A[1]	**310,979**	368,171
Customer B[2]	**87,350**	108,919

Notes:

1 Turnover from sales of watch bracelets.

2 Turnover from sales of costume jewellery and accessories.

At 31 December 2013, substantially all of the non-current assets of the Group were located in the Mainland China amounting to HKD369,266,000 (2012: HKD277,610,000).

4. Finance Costs

	2013	2012
	HKD'000	HKD'000
Interests on bank borrowings wholly repayable within five years	**4,228**	3,876

5. Profit Before Taxation

	2013	2012
	HKD'000	HKD'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**3,855**	4,275
Other staff's retirement benefits scheme contributions	**13,167**	12,280
Other staff costs	**162,855**	160,888
	179,877	177,443
Auditor's remuneration	**1,250**	1,250
Cost of inventories recognised as expenses	**381,953**	394,251
Depreciation on property, plant and equipments	**22,270**	14,895
Release of prepaid lease payments	**826**	217
Operating lease rentals in respect of rented premises	**3,898**	4,893

6. Taxation

	2013	2012
	HKD'000	HKD'000
The charge comprises:		
Current tax – Hong Kong Profits Tax		
Current year	**7,592**	13,746
Overprovision in previous year	**(20)**	(33)
	7,572	13,713
Current tax – PRC Enterprise Income Tax ("**PRC EIT**")		
Current year	**3,048**	6,223
Under(over)provision in prior years	**33**	(66)
	3,081	6,157
	10,653	19,870

Hong Kong Profits Tax

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

PRC EIT

On 16 March 2007, the PRC promulgated the Law on Enterprise Income Tax ("**New EIT Law**") by Order No. 63 of the President of the PRC. On 6 December 2008, the State Council of the PRC issued Implementation Regulation of the EIT Law. Under the New EIT Law and Implementation Regulation, the statutory EIT rate of the group entities in the PRC has been reduced to 25% from 1 January 2008 onwards.

Notwithstanding the above, according to the approval granted by Dongguan State Administration of Taxation Office which under the old enterprise income tax system in the PRC, a PRC subsidiary of the Group is entitled to exemptions from the PRC EIT for two years commencing from 2008 to 2009 and thereafter entitled to a 50% relief from PRC EIT for the next three years from 2010 to 2012 ("**Income Tax Holidays**"). According to Guofa [2007] No.39, the PRC enterprises which have started to enjoy the Income Tax Holidays before the effective date of the New EIT Law can continue to enjoy the remaining period of the Income Tax Holidays. For those PRC enterprises whose Income Tax Holidays has not yet started before the effective date of the New EIT Law, they are deemed to have started to enjoy them from 1 January 2008. Accordingly, PRC EIT is calculated at 25% of the estimated assessable profit for all PRC enterprises within the Group for the current year.

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

	2013	2012
	HKD'000	HKD'000
Profit before taxation	**56,979**	129,430
Tax charge at the domestic income tax rate at 16.5% (2012: 16.5%)	**9,402**	21,356
Under(over)provision in previous year	**13**	(99)
Tax effect of expenses not deductible for tax purposes	**168**	484
Tax effect of tax losses not recognised	**674**	718
Tax effect of income not taxable for tax purposes	**(429)**	(371)
Tax effect of tax concession for a subsidiary	–	(5,806)
Utilisation of tax losses previously not recognised	–	(674)
Effect of different tax rates of subsidiaries operating in PRC	**825**	4,262
Taxation for the year	**10,653**	19,870

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:

	2013	2012
	HKD'000	HKD'000
Earnings for the purposes of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**46,326**	109,560

	2013	2012
	'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

	2013	2012
	HKD'000	HKD'000
Dividends recognised as distribution during the year:		
2011 final dividend – HK6 cents per ordinary share	**–**	30,000
2012 interim dividend – HK4 cents per ordinary share	**–**	20,000
2012 final dividend – HK7 cents per ordinary share	**35,000**	–
2013 interim dividend – HK4 cents per ordinary share	**20,000**	–
	55,000	50,000

On 24 March 2014, a final dividend of HK1 cent in respect of the year ended 31 December 2013 per ordinary share, totalling HKD5,000,000, 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

	2013	2012
	HKD'000	HKD'000
Trade receivables	**45,375**	80,988
Bill receivables	**–**	574
Prepayments and deposits	**9,918**	6,611
Prepaid lease payments	**838**	813
VAT receivables	**6,571**	10,668
Others	**3,095**	2,891
	65,797	102,545

Payment terms with customers are mainly on credit. Invoices are normally payable in 30 to 90 days by the customers from date of issuance. 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):

	2013	2012
	HKD'000	HKD'000
Age		
0 to 30 days	**35,525**	62,745
31 to 60 days	**5,672**	12,527
61 to 90 days	**212**	1,115
Over 90 days	**3,966**	4,601
	45,375	80,988

All bill receivables of the Group as at 31 December 2012 were aged within 30 days.

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.

At 31 December 2013, included in the Group's trade receivable balances are trade receivables with aggregate carrying amount of HKD8,573,000 (2012: HKD15,579,000) 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:

	2013	2012
	HKD'000	HKD'000
Overdue		
Within 60 days	**5,099**	11,004
61 to 90 days	**94**	1,472
Over 90 days	**3,380**	3,103
	8,573	15,579

10. Trade and Other Payables

	2013	2012
	HKD'000	HKD'000
Trade payables	**19,581**	39,831
Payroll and welfare payable	**13,091**	14,634
Other tax payables	**9,192**	–
Commissions and other payables to intermediary agents	**5,558**	11,470
Payables for acquisition of property, plant and equipment	**5,020**	3,148
Others	**2,958**	5,780
	55,400	74,863

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:

	2013	2012
	HKD'000	HKD'000
Age		
0 to 30 days	**9,938**	15,258
31 to 60 days	**7,590**	16,532
61 to 90 days	**1,039**	3,717
Over 90 days	**1,014**	4,324
	19,581	39,831

CORPORATE GOVERNANCE

Winox Holdings Limited ("**Company**", together with its subsidiaries, "**Group**") has applied the principles of Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Exchange**") and complied with all applicable code provisions of the CG Code throughout the year ended 31 December 2013, save and except for the deviations from code provisions A.2.1, A.2.7 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 of the Company (being defined as Chief Executive under the CG Code) 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. The directors of the Company ("**Directors**") consider this structure is conducive to strong and consistent leadership, effective and efficient planning and implementation of business decisions and strategies of the Company. The board of Directors of the Company ("**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 Group.

Under code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. Taking into account Mr. Yiu Hon Ming, the Chairman and Managing Director, is also an Executive Director, no meeting shall be held between the Chairman and Non-executive Directors without the Executive Directors present.

Under code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain Non-executive Directors (including Independent Non-executive Directors) were unable to attend the annual general meeting of the Company held on 16 May 2013 due to their other business engagements.

The audit committee of the Company ("**Audit Committee**") comprises wholly Independent Non-executive Directors of the Company ("**INEDs**"). 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 2013.

The remuneration committee of the Company ("**Remuneration Committee**") comprises three INEDs and one Executive Director. It is responsible for advising the Board on the emolument policies towards Directors and senior management.

The nomination committee of the Company ("**Nomination Committee**") comprises three INEDs and one Executive Director. It is responsible for reviewing the board structure and its diversity as well as recommending the Board on the appointment and re-appointment of Directors (including Independent Non-executive Directors). On 23 August 2013, the Board adopted a "Board Diversity Policy" in order to comply with a new code provision of the CG Code which was effective on 1 September 2013. The objective of the "Board Diversity Policy" is to ensure selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Corresponding amendments to the "Terms of Reference of Nomination Committee" as well as the "Director Nomination Procedures" were adopted by the Board of even date.

The terms of reference of each of the Audit Committee, Remuneration Committee and Nomination Committee, explaining their roles and the authorities delegated to them by the Board, are available on request and included on the website of the Company.

At the annual general meeting of the Company held on Thursday, 16 May 2013, Ms. Law Wai Ping, Mr. Ma Weihua and Mr. Carson Wen retired and were re-elected as Directors.

As at the date of this announcement, the Board comprises:

Executive Directors
Mr. Yiu Hon Ming (Chairman and Managing Director)
Ms. Law Wai Ping
Mr. Chau Kam Wing Donald (Finance Director)

Independent Non-executive Directors
Mr. Ma Weihua
Mr. Carson Wen
Prof. Wong Lung Tak Patrick

Non-executive Director
Mr. Au Wai Ming (Deputy Chairman)

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

For the year ended 31 December 2013, 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 2013 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 2013 as set out in the 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 the preliminary announcement.

PROPOSED FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board recommended a final dividend of HK1 cent per ordinary share (2012: HK7 cents per ordinary share), payable on or about Friday, 6 June 2014 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, 23 May 2014. The payment of dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held at Longchamps Room, 3/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 19 May 2014 at 11:00 a.m. ("**2014 AGM**").

BOOK CLOSURE

For the purpose of ascertaining the Shareholders' right to attend and vote at the 2014 AGM, the Register of Members will be closed from Friday, 16 May 2014 to Monday, 19 May 2014 (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 2014 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) ("**Branch Share Registrar**") for registration not later than 4.30 p.m. on Thursday, 15 May 2014.

For the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed on Friday, 23 May 2014, 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, 22 May 2014.

CHANGE OF ADDRESS OF BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

With effect from 31 March 2014, the address of the Branch Share Registrar will change from 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. All telephone and facsimile numbers of the Branch Share Registrar remain unchanged.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is published on the websites of the Company (www.winox.com) and the Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2013 containing all information required by the Listing Rules 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 • 24 March 2014