WINOX

WINOX HOLDINGS LIMITED
盈利時控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6838)

2019 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to HK$1,210,334,000, representing a corresponding increase of 7.2%.

- The Group's gross profit amounted to HK$306,959,000, representing a corresponding decrease of 0.6%.

- The Group's profit for the year amounted to HK$138,396,000, representing a corresponding decrease of 10.2%.

- Basic earnings per share amounted to HK27.7 cents, representing a corresponding decrease of 10.1%.

- The Board proposed a final dividend of HK3 cents per ordinary share for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal focus of Winox Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") remains on the development and manufacture of premium stainless steel products, and our major business segments are, namely, watch bracelets, mobile phone cases and parts, smart wearable cases and parts, and fashion accessories. In order to provide better revenue analysis by product, the costume jewellery and accessories and parts for leather goods segments were combined this year as fashion accessories.

We are glad that the Group has successfully expanded into the smart wearables products which is a fast growing consumer electronics sector that the world's major smartphone and high-tech companies are striving for market shares. The main products that we producing are cases and parts for smart wearables especially for smartwatch. The mass production was started in the second half of 2019 and the sales for the year ended 31 December 2019 had already reached HK$156,719,000. On the other hand, we are also pleased to inform that the demand for our mobile phone cases and parts was continuously to grow satisfactorily for the year. The demand for our watch bracelets was adversely affected by the sluggish market. The sales for fashion accessories has achieved a growth for the year. As a result, the Group recorded an increase of 7.2% in revenue for 2019 as compared to the last year.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group's revenue increased by 7.2% to HK$1,210,334,000 (2018: HK$1,128,653,000) as compared to last year. Revenue attributable to watch bracelets, mobile phone cases and parts, fashion accessories, and smart wearable cases and parts were 29.1%, 48.7%, 9.3% and 12.9% respectively (2018: 47.1%, 43.9%, 8.8% and 0.2%).

During the year, the Group's revenue of watch bracelets reported a decrease of 33.8% to HK$352,063,000 (2018: HK$531,701,000) as compared to last year.

During the year, sales of mobile phone cases and parts was HK$589,104,000 (2018: HK$495,437,000), representing an increase of 18.9% as compared to last year.

Sales of fashion accessories for the year recorded an increase of 13.2% to HK$112,448,000 (2018: HK$99,341,000).

Sales of smart wearable cases and parts amounted to HK$156,719,000 (2018: HK$2,174,000), which is 72.1 times that of last year.

Profit

Gross profit for the year decreased by 0.6% to HK$306,959,000 (2018: HK$308,694,000) as compared to last year. Gross profit margin for the year decreased by 2.0 percentage point to 25.4% (2018: 27.4%) mainly due to (1) the smart wearables segment was in its early cycle and yet to reach optimal scale and (2) higher materials costs was used in mobile phone cases and parts.

Profit for the year decreased by 10.2% to HK$138,396,000 (2018: HK$154,126,000) and basic earnings per share for the year decreased by 10.1% to HK27.7 cents (2018: HK30.8 cents).

Cost of Sales

Cost of sales included costs of production materials and labour, and manufacturing overhead and other costs. The following table sets forth the breakdown of our cost of sales for the year ended 31 December 2019:

	2019	2018
	HK$'000	HK$'000
Direct materials costs	**497,898**	404,451
Direct labour costs	**303,190**	291,231
Manufacturing overhead and other costs	**102,287**	124,277
	903,375	819,959

For the year ended 31 December 2019, direct materials costs accounted for about 55.1% (2018: 49.3%) of the total cost of sales, the increase was mainly due to the significant increase in sales of mobile phone cases and parts, the manufacture of which requires higher proportion of materials costs.

Direct labour costs, and manufacturing overhead and other costs accounted for about 33.6% and 11.3% (2018: 35.5% and 15.2%) of the total cost of sales respectively.

Other Income

Other income for the year amounted to HK$7,016,000 (2018: HK$8,241,000) which was mainly comprised of gain from sales of scrap materials and sales of other parts and samples.

Other Gains and Losses

Other gains for the year amounted to HK$572,000 (2018: HK$3,556,000) which was mainly comprised of net exchange gain from the depreciation of Renminbi during the year.

Expenses

Selling and distribution costs decreased by 29.9% to HK$21,287,000 for the year as compared to HK$30,383,000 for last year which was in line with the decrease in revenue of watch bracelets.

Administrative expenses increased by 12.0% to HK$122,101,000 (2018: HK$109,007,000) for the year as compared to last year, the increase was mainly due to the increase in salaries.

During the year, finance costs amounted to HK$2,585,000 (2018: HK$2,961,000), representing a decrease of 12.7% as compared to last year which was mainly due to the repayment of bank loans.

Taxation

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the People's Republic of China (the "**PRC**") on Enterprise Income Tax (the "**EIT**") (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25%. During the year ended 31 December 2019, certain subsidiaries of the Company operating in the PRC are recognised as High and New Technology Enterprise and eligible to a tax rate of 15% with effect from the financial year ended 31 December 2017. Accordingly, an overprovision for the PRC EIT in prior years amounting to HK$5,993,000 was recognised during the year ended 31 December 2018.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year. The deduction of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual EIT filling. Accordingly, an overprovision for the PRC EIT in prior years amounting to HK$2,742,000 was recognised during the year ended 31 December 2019.

Inventories

	2019	2018
	HK$'000	HK$'000
Raw materials	**14,131**	10,070
Work in progress	**89,636**	32,915
Finished goods	**29,578**	31,819
	133,345	74,804

As at 31 December 2019, the Group recorded an inventory balance of HK$133,345,000 (31 December 2018: HK$74,804,000), representing an increase of 78.3% which was mainly due to the increase in work in progress at the end of the year. The inventory turnover of the Group for year ended 31 December 2019 was 42.1 days as compared to 34.9 days for the year ended 31 December 2018.

Trade Receivables

As at 31 December 2019, trade receivables of the Group amounted to HK$264,090,000 (31 December 2018: HK$153,243,000). 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. As at 15 March 2020, approximately 95.4% of the trade receivables amounted to HK$264,090,000 as at 31 December 2019 has been received. The trade receivables turnover of the Group for the year ended 31 December 2019 was 62.9 days (for the year ended 31 December 2018: 47.5 days) and the increase in number of days was mainly due to the increase in sales of mobile phone cases and parts and smart wearable cases and parts which have relatively longer credit period.

Trade Payables

As at 31 December 2019, the trade payables of the Group amounted to HK$173,141,000 (31 December 2018: HK$102,206,000). 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 2019 was 55.6 days (for the year ended 31 December 2018: 44.9 days).

Liquidity, Indebtedness and Charges on Assets

During the year, the Group maintained a satisfactory liquidity level. As at 31 December 2019, net current assets of the Group was HK$235,477,000 (31 December 2018: HK$269,788,000). Besides, the Group had cash and bank balances of HK$137,292,000 (31 December 2018: HK$239,478,000), of which 43.1% was in Hong Kong dollars, 50.6% was in Renminbi, 5.1% was in United States dollars, and 1.2% was in Swiss Franc and other currencies.

As at 31 December 2019, the Group's outstanding secured bank borrowings totalled HK$70,494,000 (31 December 2018: HK$52,250,000), of which 42.1% was in Hong Kong dollars and 57.9% was in Renminbi. All of such outstanding secured bank borrowings were arranged on floating rate basis and HK$29,679,000 (31 December 2018: HK$52,250,000) contained repayment on demand clause at any time at the discretion of the bank. According to Hong Kong Accounting Standards, the Group classified the secured bank borrowings contained repayment on demand clause as current liabilities in the consolidated statement of financial position as at 31 December 2019. Of the total secured bank borrowings, according to the repayment schedule, HK$63,386,000 was repayable within one year and the balance of HK$7,108,000 was repayable after one year.

Part of the secured bank borrowings was secured by certain of the Group's assets with an aggregate carrying value of HK$43,317,000 as at 31 December 2019. 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 2019, the total unutilised banking facilities available to the Group amounted to HK$39,262,000 (2018: HK$30,465,000).

As at 31 December 2019, the Group's gearing ratio was 0.06 (31 December 2018: 0.06), which was calculated on the basis of outstanding secured bank borrowings over total assets of the Group.

Treasury

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

For the year ended 31 December 2019, the Group's sales was mainly denominated in Hong Kong dollars and United States dollars, contributing to 36.8% and 53.0% of the total revenue respectively (2018: 54.1% and 43.0%). The expenses of the Group for the year were mainly denominated in Renminbi. As Hong Kong dollars was pegged with United States dollars, the directors of the Company (the "**Director(s)**") considered the Group was exposed to limited risk in this aspect. Despite that, the Group's production plants were located in PRC 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.

The Group did not use any financial instruments for hedging purposes during the year and the Group did not have any hedging instruments as at 31 December 2019. 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 of the Company as at 31 December 2019 was HK$29,936,000 (31 December 2018: HK$24,030,000), which was mainly related to the acquisition of property, plant and equipment, and land use rights.

Possible Investment in a New Production Plant

Winox Watch Manufactory (Dongguan) Limited, a wholly-owned subsidiary of the Company, is negotiating with the local government in respect of the investment agreement in relation to the establishment of a new production plant on a parcel of land (the "**Land**") located in Xinmalian Village, Dalang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市大朗鎮新馬蓮村) with a total site area of approximately 24,988 square meters (or 37.5 mu), which is adjacent to one of the existing production plants of the Group, subject to the successful bidding of the Land by the Group. Please refer to the announcement of the Company dated 21 September 2018 for details of the possible investment.

Contingent Liabilities

As at 31 December 2019, save for the granting of corporate guarantees by the Company to its wholly-owned subsidiaries as described above, the Group did not have any other significant contingent liabilities.

Employment and Remuneration Policy

As at 31 December 2019, the total number of employees of the Group was 4,613 (2018: 3,594). During the year, staff costs (including Directors' emoluments) amounted to HK$379,525,000 (2018: HK$359,449,000). 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 the senior management and employees of the Group. During the year ended 31 December 2019, no option was granted by the Company pursuant to the share option scheme.

Event After The Reporting Period

Since January 2020, the outbreak of the 2019 Novel Coronavirus ("**COVID-19**") in the PRC and the subsequent quarantine measures imposed by the Chinese government have had a negative impact on the operations of the Group, as the Group's manufacturing facilities are located in Dongguan and Huizhou, PRC. The Group has had to delay its manufacturing activities due to the mandatory government quarantine measures in an effort to contain the spread of the epidemic. After the implementation of the various prevention and control measures, the Group's manufacturing facilities resumed operation on 10 February 2020 and recovered to the normal operating capacity by the date of this announcement. The Directors have closely monitored the development of the outbreak of COVID-19 and kept regular communications with its customers and suppliers to understand whether there would be any significant impacts on the Group's ongoing operation, and/or any shortages in supply on the materials required by the Group's production projects. Based on the currently available information as of this announcement approval date, the Directors consider that the COVID-19 event would not have a material financial impact on the Group. However, given the inherent unpredictable nature and rapid development relating to COVID-19 globally, the Group's business might be affected and the Directors will continue to closely monitor in this regard.

OUTLOOK

Entering 2020, the pandemic of COVID-19 has caused unexpected severe interruption to the world's economic and trade activities. Although the central banks of major countries are cutting rates and acting to increase the liquidity of the money markets in order to boost the real economy, the outcome is yet to be observed. However, this is the Group's strategy to 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 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	3	**1,210,334**	1,128,653
Cost of sales		**(903,375)**	(819,959)
Gross profit		**306,959**	308,694
Other income		**7,016**	8,241
Other gains and losses		**572**	3,556
Selling and distribution costs		**(21,287)**	(30,383)
Administrative expenses		**(122,101)**	(109,007)
Finance costs	4	**(2,585)**	(2,961)
Profit before taxation	5	**168,574**	178,140
Taxation	6	**(30,178)**	(24,014)
Profit for the year		**138,396**	154,126
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of financial statements of foreign operations		**(14,857)**	(35,628)
Total comprehensive income for the year		**123,539**	118,498
Earnings per share – Basic	7	**HK27.7 cents**	HK30.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**447,363**	365,955
Right-of-use assets		**36,742**	-
Prepaid lease payments		-	32,945
Deposit for land use right		**20,254**	20,675
Deposits paid for acquisition of property, plant and equipment		**19,796**	10,788
Deposit and prepayment for a life insurance policy		**4,081**	4,244
		528,236	434,607
Current assets			
Inventories		**133,345**	74,804
Trade and other receivables	9	**309,907**	188,215
Taxation recoverable		**1,994**	3,464
Bank balances and cash		**137,292**	239,478
		582,538	505,961
Current liabilities			
Trade and other payables	10	**241,594**	154,062
Taxation payable		**33,537**	29,861
Secured bank borrowings		**70,494**	52,250
Lease liabilities		**1,436**	-
		347,061	236,173
Net current assets		**235,477**	269,788
Total assets less current liabilities		**763,713**	704,395
Non-current liability			
Lease liabilities		**3,279**	-
		760,434	704,395
Capital and reserves			
Share capital		**50,000**	50,000
Reserves		**710,434**	654,395
Total equity		**760,434**	704,395

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 (the "**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 ("**Mr. Yiu**"), 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 of stainless steel products.

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

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "**Group**") have applied the following new and amendments to HKFRSs and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Except as described below, the application of the new and amendments to HKFRSs and interpretation 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.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease does not have material impact on consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.95%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	7,627
Less: Practical expedient - short-term leases	(317)
Recognition exemption - low-value assets	(8)
	7,302
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	3,128
Analysed as	
Current	183
Non-current	2,945
	3,128

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 (Note i)	3,128
Reclassified from prepaid lease payments (Note ii)	33,704
	36,832
By class:	
Leasehold land	33,704
Land and buildings	3,085
Office equipment	43
	36,832

Notes:

(i) As at 1 January 2019, the Group had refundable rental deposits paid of HK$26,000. Based on the definition of lease payments under HKFRS 16, such deposit is not payment relating to the right to use the underlying assets and the carrying amount of such deposits should be adjusted to amortised cost and such adjustment should be considered as additional lease payment. However, no refundable rental deposit paid has been adjusted to the carrying amount of right-of-use assets as the amount is insignificant.

(ii) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$759,000 and HK$32,945,000 respectively were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	HK$'000	HK$'000
Non-current assets			
Prepaid lease payments	32,945	(32,945)	-
Right-of-use assets	-	36,832	36,832
Current assets			
Trade and other receivables			
- Prepaid lease payments	759	(759)	-
Current liability			
Lease liabilities	-	(183)	(183)
Non-current liability			
Lease liabilities	-	(2,945)	(2,945)

3. Revenue and Segment Information

Operating Segments

The Group's operating activities are attributable to a single reporting segment focusing on manufacture and trading of stainless steel products. Information reported to the members of executive directors of the Company, being the chief operating decision makers (the "**CODM**"), for the purposes of resources allocation and assessment of performance focuses on revenue analysis by products, including mobile phone cases and parts, watch bracelets, smart wearable cases and parts, and fashion accessories, and by geographic locations of customers, including Taiwan, Switzerland, PRC, Liechtenstein and other European countries, Hong Kong and other countries. However, other than revenue analysis, no operating results and other discrete financial information is available. In addition, the CODM reviews the results of the Group as a whole to make decisions. Accordingly, no segment information is presented other than entity wide disclosures.

The revenue of the Group from manufacture and trading of stainless steel products is recognised when the goods are passed to the customers, which is the point of time when the customers have the ability to direct the use of the goods and obtain substantially all of the remaining benefits of the goods.

Revenue from major products

Revenue by products are as follows:

	2019 **HK$'000**	2018 HK$'000
Mobile phone cases and parts	**589,104**	495,437
Watch bracelets	**352,063**	531,701
Smart wearable cases and parts	**156,719**	2,174
Fashion accessories	**112,448**	99,341
	1,210,334	1,128,653

Geographical information

Revenue from external customers based on locations of customers by geographical areas is as follows:

	2019 **HK$'000**	2018 HK$'000
Taiwan	**455,587**	291,268
Switzerland	**319,432**	508,595
PRC	**252,251**	161,192
Liechtenstein and other European countries	**94,304**	90,804
Hong Kong	**86,847**	76,008
Other countries	**1,913**	786
	1,210,334	1,128,653

4. Finance Costs

	2019 HK$'000	2018 HK$'000
Interests on:		
- secured bank borrowings	**2,389**	2,961
- lease liabilities	**196**	-
	2,585	2,961

5. Profit Before Taxation

	2019 HK$'000	2018 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**7,845**	6,512
Other staff costs	**343,513**	327,987
Other staff's retirement benefits schemes contributions	**28,167**	24,950
Total staff costs	**379,525**	359,449
Less: Capitalised in inventories	**(303,190)**	(291,227)
	76,335	68,222
Auditor's remuneration	**1,480**	1,430
Cost of inventories recognised as expenses (including staff costs and depreciation capitalised in inventories)	**888,548**	797,190
Depreciation of right-of-use assets	**1,598**	-
Depreciation of property, plant and equipment	**41,599**	39,092
Less: Capitalised in inventories	**(28,903)**	(27,640)
	12,696	11,452
Release of prepaid lease payments	**-**	789
Premium charges on a life insurance policy	**325**	325
Operating lease rentals in respect of rented premises	**-**	1,933
Short-term lease and low-value assets payments	**342**	-

6. Taxation

	2019 HK$'000	2018 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	**16,962**	17,286
Overprovision in prior years	**(60)**	(90)
	16,902	17,196
PRC EIT		
Current year	**16,018**	12,811
Overprovision in prior years	**(2,742)**	(5,993)
	13,276	6,818
	30,178	24,014

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Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. During the year ended 31 December 2018, certain PRC subsidiaries were rewarded the as High and New Technology Enterprise certificate and eligible to a tax rate of 15% for 3 years with effect from the financial year ended 31 December 2017. Accordingly, an overprovision for the PRC EIT in prior years amounting to HK$5,993,000 was recognised during the year ended 31 December 2018.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year. The deduction of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual EIT filling. Accordingly, an overprovision for the PRC EIT in prior years amounting to HK$2,742,000 was recognised during the year ended 31 December 2019.

7. Earnings Per Share

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

	2019	2018
	HK$'000	HK$'000
Earnings for the purposes of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**138,396**	154,126

	2019	2018
	'000	'000
Number of shares for the purposes 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

	2019	2018
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2018 final dividend – HK8.5 cents per ordinary share	**42,500**	–
2019 interim dividend – HK5 cents per ordinary share	**25,000**	–
2017 final dividend – HK7 cents per ordinary share	**–**	35,000
2018 interim dividend – HK6 cents per ordinary share	**–**	30,000
	67,500	65,000

On 30 March 2020, a final dividend of HK3 cents (2018: a final dividend of HK8.5 cents) per ordinary share in respect of the year ended 31 December 2019, totalling HK$15,000,000 (2018: HK$42,500,000), 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

	2019	2018
	HK$'000	HK$'000
Trade receivables arising from contracts with customers	**264,090**	153,243
Prepayments and deposits	**8,245**	7,206
Prepaid lease payments	**-**	759
Value added tax recoverable	**35,749**	24,967
Refundable rental deposits	**130**	26
Others	**1,693**	2,014
	309,907	188,215

As at 1 January 2018, trade receivables arising from contracts with customers amounted to HK$140,261,000.

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 aging analysis of trade receivables at the end of each reporting period based on the invoice date, which approximated the respective revenue recognition dates.

	2019	2018
	HK$'000	HK$'000
0 to 30 days	**137,213**	83,903
31 to 60 days	**85,248**	52,346
61 to 90 days	**36,505**	16,510
Over 90 days	**5,124**	484
	264,090	153,243

10. Trade and Other Payables

	2019	2018
	HK$'000	HK$'000
Trade payables	**173,141**	102,206
Payroll payables	**38,066**	34,261
Other tax payables	**1,392**	1,628
Commissions and other payables to intermediary agents	**8,921**	8,976
Payables for acquisition of property, plant and equipment	**14,453**	2,998
Interest payable	**159**	-
Others	**5,462**	3,993
	241,594	154,062

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

	2019	2018
	HK$'000	HK$'000
0 to 30 days	**75,963**	34,201
31 to 60 days	**63,538**	41,474
61 to 90 days	**31,187**	23,502
Over 90 days	**2,453**	3,029
	173,141	102,206

CORPORATE GOVERNANCE

The Company has applied the principles of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 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 20 May 2019 due to his other business engagements.

The audit committee of the Company (the "**Audit Committee**") comprises wholly Independent Non-executive Directors of the Company. The Audit Committee has reviewed with the Company's management and 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 2019.

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

For the year ended 31 December 2019, the Company or any of its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**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 2019 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 2019 as set out in this preliminary announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, and 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 HKICPA 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 HK3 cents per ordinary share (2018: HK8.5 cents per ordinary share) for the year ended 31 December 2019, be payable on Monday, 6 July 2020 to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company (the "**Register of Members**") at the close of business on Tuesday, 23 June 2020. The payment of the final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 15 June 2020 (the "**2020 AGM**").

BOOK CLOSURE

For the purpose of ascertaining the Shareholders' right to attend and vote at the 2020 AGM, the Register of Members will be closed from Wednesday, 10 June 2020 to Monday, 15 June 2020 (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 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "**Branch Share Registrar**") for registration not later than 4:30 p.m. on Tuesday, 9 June 2020.

For the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Friday, 19 June 2020 to Tuesday, 23 June 2020 (both days inclusive), during 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, 18 June 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This preliminary annual 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 2019 will be despatched to the Shareholders and make available on the abovementioned websites by the end of April 2020.

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

Hong Kong • 30 March 2020

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