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WINOX

WINOX HOLDINGS LIMITED

盈利時控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6838)

2020 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to HK\$1,187,440,000, representing a corresponding decrease of 1.9%.
- The Group's gross profit amounted to HK\$240,161,000, representing a corresponding decrease of 21.8%.
- The Group's profit for the year amounted to HK\$96,085,000, representing a corresponding decrease of 30.6%.
- Basic earnings per share amounted to HK19.2 cents, representing a corresponding decrease of 30.7%.
- The Board proposed a final dividend of HK3 cents per ordinary share for the year ended 31 December 2020 and to celebrate the 10th anniversary of the listing of the Company's shares on the Stock Exchange, a bonus issue of shares on the basis of one bonus share for every five existing shares, subject to the shareholders' approval at the forthcoming AGM and the Listing Committee's granting of the listing of and permission to deal in the bonus shares.

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.

During the year of 2020, the world's economy was hard hit by the pandemic of the novel coronavirus disease 2020 (“**COVID-19**”). The resumption of our manufacturing facilities in the People's Republic of China (the “**PRC**”) was delayed after the Chinese New Year and thanks to the timely and effective quarantine measures of the Chinese Government, our manufacturing facilities were quickly recovered to normal operation capacity by the end of March 2020.

Amidst the many challenges in the year of 2020, the Group's revenue slightly decreased by 1.9% as compared to last year.

The effects of the COVID-19 pandemic to our four major business segments were mixed. The revenue of our watch bracelets and fashion accessories were down by 39.9% and 54.4% respectively when compared to last year as the sales of luxury goods were adversely affected by the lock-down of the world's major cities and travelling of the world's tourists was nearly come to a halt. On the other hand, our world leading clients kept demanding our mobile phone cases and parts and our smart wearable cases and parts in which the revenue of these two segments were increased by 10.5% and 74.7% respectively as compared to last year.

As the economy of the world's major countries gradually recovered from the COVID-19 pandemic in the second half of the year, entering in the fourth quarter of 2020, our watch bracelets segment has experienced order intake of larger quantities and our clients of the smart wearable cases and parts segments have invited us to participate in developing parts for their new models to be rolled out in 2021.

On 21 May 2020, Winox Watch Manufactory (Dongguan) Limited (“**Winox Dongguan**”), a wholly-owned subsidiary of the Company, successfully won the bidding for the land use right of a parcel of land (the “**Land**”) for a consideration of RMB26,240,000 (equivalent to approximately HK\$28,600,000) 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. This piece of land is planned to develop into a new production plant mainly for the expansion of our smart wearable cases and parts segment and is expected to be completed by phases starting from early 2023. This new factory will be financed by internal resources and bank facilities. In order to cope with the expansion of the production capacity of the smart wearables and parts segment, we have been leasing factory space and will lease additional space when needed.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's revenue decreased slightly by 1.9% to HK\$1,187,440,000 (2019: HK\$1,210,334,000) as compared to last year. Revenue attributable to watch bracelets, mobile phone cases and parts, fashion accessories, and smart wearable cases and parts were 17.8%, 54.8%, 4.3% and 23.1% respectively (2019: 29.1%, 48.7%, 9.3% and 12.9%).

During the year, the Group's revenue of watch bracelets reported a decrease of 39.9% to HK\$211,621,000 (2019: HK\$352,063,000) as compared to last year.

During the year, sales of mobile phone cases and parts was HK\$650,760,000 (2019: HK\$589,104,000), representing an increase of 10.5% as compared to last year.

Sales of fashion accessories for the year recorded a decrease of 54.4% to HK\$51,258,000 (2019: HK\$112,448,000).

Sales of smart wearable cases and parts recorded an increase of 74.7% to HK\$273,801,000 (2019: HK\$156,719,000).

Profit

Gross profit for the year decreased by 21.8% to HK\$240,161,000 (2019: HK\$306,959,000) as compared to last year. Gross profit margin for the year decreased by 5.2 percentage points to 20.2% (2019: 25.4%) mainly due to (1) the change in sales mix in which the sales of our watch bracelets and fashion accessories segments were adversely affected by the COVID-19 pandemic; and (2) the decrease in sales price of our certain products due to the intensified market competition caused by the pandemic.

Profit for the year decreased by 30.6% to HK\$96,085,000 (2019: HK\$138,396,000) and basic earnings per share for the year decreased by 30.7% to HK19.2 cents (2019: HK27.7 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 2020:

	2020	2019
	HK\$'000	HK\$'000
Direct materials costs	540,837	497,898
Direct labour costs	298,054	303,190
Manufacturing overhead and other costs	108,388	102,287
	947,279	903,375

For the year ended 31 December 2020, direct materials costs accounted for about 57.1% (2019: 55.1%) of the total cost of sales, the increase was mainly due to the increase in sales of mobile phone cases and parts and smart wearable 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 31.5% and 11.4% (2019: 33.6% and 11.3%) of the total cost of sales respectively.

Other Income

Other income for the year amounted to HK\$21,764,000 (2019: HK\$7,016,000), which was mainly due to the increase in government grants related to employment stabilisation subsidies.

Other Gains and Losses

Other losses for the year amounted to HK\$17,172,000 (2019: gains of HK\$572,000), which was mainly comprised of net exchange loss from the appreciation of Renminbi during the year.

Expenses

Selling and distribution costs decreased by 37.3% to HK\$13,344,000 for the year as compared to HK\$21,287,000 for last year which was in line with the decrease in revenue of watch bracelets.

Administrative expenses decreased by 3.8% to HK\$117,494,000 (2019: HK\$122,101,000) for the year as compared to last year, the decrease was mainly due to the decrease in salaries.

During the year, finance costs amounted to HK\$4,284,000 (2019: HK\$2,585,000), representing an increase of 65.7% as compared to last year which was mainly due to the increase in bank borrowings.

Taxation

Hong Kong Profits Tax

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable 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%.

PRC Enterprise Income Tax (the "EIT")

Under the Law of the PRC on EIT ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of group entities in the PRC is 25%. Certain PRC subsidiaries of the Group were awarded the High and New Technology Enterprise ("HNTE") certificate in prior years and eligible to a tax rate of 15% for 3 years with effect from the financial year ended 31 December 2017 and renewed for another 3 years with effect from the financial year ended 31 December 2020. The recognition as a HNTE is subject to review every three years by the relevant government bodies.

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 ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the subsidiaries in ascertaining their assessable profits for the year.

Inventories

	2020	2019
	HK\$'000	HK\$'000
Raw materials	17,438	14,131
Work in progress	67,809	89,636
Finished goods	32,828	29,578
	118,075	133,345

As at 31 December 2020, the Group recorded an inventory balance of HK\$118,075,000 (31 December 2019: HK\$133,345,000), representing a decrease of 11.5% which was mainly due to the decrease in work in progress at the end of the year. The inventory turnover of the Group for year ended 31 December 2020 was 48.6 days as compared to 42.1 days for the year ended 31 December 2019.

Trade Receivables

As at 31 December 2020, trade receivables of the Group amounted to HK\$251,950,000 (31 December 2019: HK\$264,090,000). 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 2021, approximately 85.3% of the trade receivables amounting to HK\$251,950,000 as at 31 December 2020 has been received. The trade receivables turnover of the Group for the year ended 31 December 2020 was 79.5 days (for the year ended 31 December 2019: 62.9 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 2020, the trade payables of the Group amounted to HK\$193,759,000 (31 December 2019: HK\$173,141,000). 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 2020 was 70.9 days (for the year ended 31 December 2019: 55.6 days).

Liquidity, Indebtedness and Charges on Assets

During the year, the Group maintained a satisfactory liquidity level. As at 31 December 2020, net current assets of the Group was HK\$269,173,000 (31 December 2019: HK\$235,477,000). Besides, the Group had cash and bank balances of HK\$174,638,000 (31 December 2019: HK\$137,292,000), of which 23.7% was in Hong Kong dollars, 29.0% was in Renminbi, 46.7% was in United States dollars, and 0.6% was in Euro and other currencies.

As at 31 December 2020, the Group's outstanding bank borrowings totalled HK\$72,493,000 (31 December 2019: HK\$70,494,000), of which 66.3% was in Hong Kong dollars and 33.7% was in Renminbi. All of such outstanding bank borrowings were arranged on floating rate basis and contained repayment on demand clause at any time at the discretion of the bank. According to Hong Kong Accounting Standards, the Group classified the bank borrowings contained repayment on demand clause as current liabilities in the consolidated statement of financial position as at 31 December 2020. Of the total bank borrowings, according to the repayment schedule, HK\$40,910,000 was repayable within one year and the balance of HK\$31,583,000 was repayable after one year.

Part of the bank borrowings was secured by certain of the Group's assets with an aggregate carrying value of HK\$43,695,000 as at 31 December 2020. 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 2020, the total unutilised banking facilities available to the Group amounted to HK\$91,002,000 (2019: HK\$39,262,000).

As at 31 December 2020, the Group's gearing ratio was 0.06 (31 December 2019: 0.06), which was calculated on the basis of outstanding 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 2020, the Group's sales was denominated in Hong Kong dollars, Renminbi and United States dollars, contributing to 21.4%, 20.8% and 57.8% of the total revenue respectively (2019: 36.8%, 10.2% and 53.0%). 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 considered the Group was exposed to limited risk in this aspect. Despite that, the Group's production plants were located in the 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 2020. 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

Capital expenditure contracted for by the Group but not yet provided as at 31 December 2020 was HK\$21,988,000 (31 December 2019: HK\$29,936,000), which was mainly related to the acquisition of property, plant and equipment, and land use rights.

Contingent Liabilities

As at 31 December 2020, 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 2020, the total number of employees of the Group was 3,873 (2019: 4,613). During the year, staff costs (including Directors' emoluments) amounted to HK\$365,185,000 (2019: HK\$379,525,000). 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 2020, no option was granted by the Company pursuant to the share option scheme.

OUTLOOK

Entering into 2021, people around the world started to receive COVID-19 vaccines which further strengthened the hopes on faster economic recovery. With improved spending sentiment, we have noticed that our product segments order intake momentum have been increasing. Although there are still uncertainties and challenges lying ahead, the Group is cautiously optimistic in the revenue growth in 2021. Hence, the Group has ramped up its capacity to meet delivery commitments to clients for 2021. On top of the Group's focus on growing revenue, ensuring consistent and sustainable long-term profitability remains a top priority. 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 2020

		2020	2019
	Notes	HK\$'000	HK\$'000
Revenue	3	1,187,440	1,210,334
Cost of sales		(947,279)	(903,375)
Gross profit		240,161	306,959
Other income		21,764	7,016
Other gains and losses		(17,172)	572
Selling and distribution costs		(13,344)	(21,287)
Administrative expenses		(117,494)	(122,101)
Finance costs	4	(4,284)	(2,585)
Profit before taxation	5	109,631	168,574
Taxation	6	(13,546)	(30,178)
Profit for the year		96,085	138,396
Other comprehensive income (expense) for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising on translation of foreign operations		58,331	(14,857)
Total comprehensive income for the year		154,416	123,539
Earnings per share – Basic	7	HK19.2 cents	HK27.7 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		521,480	447,363
Right-of-use assets		68,575	36,742
Deposit for land use rights		21,635	20,254
Deposits paid for acquisition of property, plant and equipment		17,947	19,796
Deposit and prepayment for a life insurance policy		3,923	4,081
		633,560	528,236
Current assets			
Inventories		118,075	133,345
Trade and other receivables	9	303,473	309,907
Taxation recoverable		4,112	1,994
Bank balances and cash		174,638	137,292
		600,298	582,538
Current liabilities			
Trade and other payables	10	251,632	241,594
Taxation payable		6,660	33,537
Bank borrowings		72,493	70,494
Lease liabilities		340	1,436
		331,125	347,061
Net current assets		269,173	235,477
Total assets less current liabilities		902,733	763,713
Non-current liability			
Lease liabilities		2,883	3,279
Net assets		899,850	760,434
Capital and reserves			
Share capital		50,000	50,000
Reserves		849,850	710,434
Total equity		899,850	760,434

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 immediate holding company and ultimate holding company are Ming Fung Investment Limited and Ming Fung Holdings (Hong Kong) Limited respectively, companies with limited liabilities incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Yiu Hon Ming ("**Mr. Yiu**"), who is also the Chairman and Executive 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 Amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impact on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the 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 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

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

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2"

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2" relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures" to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong Interbank Offered Rate ("**HIBOR**") bank borrowings which may be subject to interest rate benchmark reform. The Group expects no significant modification gains or losses should the interest rate benchmark for these borrowings change resulting from the reform on application of the amendments.

3. Revenue and Segment Information

The Group is engaged in 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, only entity-wide disclosures, major customers and geographic information are presented.

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.

The Group applies the practical expedient in HKFRS 15 and does not disclose information about its remaining performance obligation as the performance obligation is part of a contract that has an original expected duration of one year or less.

Revenue from major products

Revenue by products are as follows:

	2020	2019
	HK\$'000	HK\$'000
Mobile phone cases and parts	650,760	589,104
Smart wearable cases and parts	273,801	156,719
Watch bracelets	211,621	352,063
Fashion accessories	51,258	112,448
	1,187,440	1,210,334

Geographical information

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

	2020	2019
	HK\$'000	HK\$'000
PRC	603,908	252,251
Taiwan	214,543	455,587
Switzerland	199,745	319,432
Hong Kong	102,688	86,847
Liechtenstein and other European countries	47,434	94,304
Other countries	19,122	1,913
	1,187,440	1,210,334

4. Finance Costs

	2020	2019
	HK\$'000	HK\$'000
Interests on:		
- bank borrowings	4,099	2,389
- lease liabilities	185	196
	4,284	2,585

5. Profit Before Taxation

	2020 HK\$'000	2019 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration	7,175	7,845
Other staff costs	343,951	343,513
Other staff's retirement benefits schemes contributions	14,059	28,167
Total staff costs	365,185	379,525
Less: Capitalised in inventories	(298,054)	(303,190)
	67,131	76,335
Auditor's remuneration	1,480	1,480
Cost of inventories recognised as expenses (including staff costs and depreciation capitalised in inventories)	939,675	888,548
Depreciation of right-of-use assets	2,424	1,598
Depreciation of property, plant and equipment	53,842	41,599
Less: Capitalised in inventories	(38,418)	(30,272)
	15,424	11,327
Premium charges on a life insurance policy	326	325

6. Taxation

	2020 HK\$'000	2019 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	10,677	16,962
Overprovision in prior years	(60)	(60)
	10,617	16,902
PRC EIT		
Current year	5,987	16,018
Overprovision in prior years	(3,058)	(2,742)
	2,929	13,276
	13,546	30,178

Hong Kong Profits Tax

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable 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%.

PRC EIT

Under the Law of the PRC on EIT ("**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of group entities in the PRC is 25%. Certain PRC subsidiaries of the Group were awarded the High and New Technology Enterprise ("**HNTE**") certificate in prior years and eligible to a tax rate of 15% for 3 years with effect from the financial year ended 31 December 2017 and renewed for another 3 years with effect from the financial year ended 31 December 2020. The recognition as a HNTE is subject to review every three years by the relevant government bodies.

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 ("**Super Deduction**"). The Group has made its best estimate for the Super Deduction to be claimed for the subsidiaries in ascertaining their assessable profits for the year.

7. Earnings Per Share

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

	2020 HK\$'000	2019 HK\$'000
Earnings for the purposes of calculating basic earnings per share (profit for the year attributable to owners of the Company)	96,085	138,396
Number of shares		
	2020 '000	2019 '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

	2020 HK\$'000	2019 HK\$'000
Dividends recognised as distribution during the year:		
2019 final dividend – HK3 cents per ordinary share	15,000	–
2018 final dividend – HK8.5 cents per ordinary share	–	42,500
2019 interim dividend – HK5 cents per ordinary share	–	25,000
	15,000	67,500

On 29 March 2021, a final dividend of HK3 cents (2019: a final dividend of HK3 cents) per ordinary share in respect of the year ended 31 December 2020, totalling HK\$15,000,000 (2019: HK\$15,000,000), 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

	2020	2019
	HK\$'000	HK\$'000
Trade receivables arising from contracts with customers	251,950	264,090
Prepayments and deposits	8,806	8,245
Value added tax recoverable	40,694	35,749
Refundable rental deposits	442	130
Others	1,581	1,693
	303,473	309,907

As at 1 January 2019, trade receivables arising from contracts with customers amounted to HK\$153,243,000.

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 date of delivery, which approximated the respective revenue recognition dates.

	2020	2019
	HK\$'000	HK\$'000
0 to 30 days	112,234	137,213
31 to 60 days	98,990	85,248
61 to 90 days	39,304	36,505
Over 90 days	1,422	5,124
	251,950	264,090

10. Trade and Other Payables

	2020	2019
	HK\$'000	HK\$'000
Trade payables	193,759	173,141
Payroll and welfare payables	30,817	38,066
Payables for acquisition of property, plant and equipment	13,538	14,453
Commissions and other payables to intermediary agents	6,611	8,921
Other tax payables	3,419	1,392
Accrued expense	2,573	4,427
Interest payable	339	159
Others	576	1,035
	251,632	241,594

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:

	2020	2019
	HK\$'000	HK\$'000
0 to 30 days	51,369	75,963
31 to 60 days	66,030	63,538
61 to 90 days	38,285	31,187
Over 90 days	38,075	2,453
	193,759	173,141

11. Event After the Reporting Period

On 29 March 2021, a bonus issue of shares on the basis of one bonus share for every five existing shares has been proposed by the board of directors of the Company. It is expected that a total of 100,000,000 bonus shares would be allotted and issued under the bonus share issue, representing 20% of the issued share capital of the Company. The bonus share issue is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

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. Since 15 June 2020, Mr. Yiu Hon Ming has resigned as the Managing Director of the Company. Mr. Yiu will remain as the chairman of the Board (“**Chairman**”), an Executive Director, the chairman of the nomination committee of the Company and a member of the remuneration committee of the Company. Since 15 June 2020, Mr. Li Chin Keung, an Executive Director, has been appointed as the Managing Director of the Company. In the past, Mr. Yiu Hon Ming was the Chairman and Managing Director of the Company. The Board considered that vesting the roles of both Chairman and Managing Director in Mr. Yiu Hon Ming was conducive to strong and consistent leadership, and effective and efficient planning and implementation of business decisions and strategies of the Group, and did not impair the balance of power and authority between the Board and the management of the Company as the Board meets regularly to discuss major matters affecting the Group’s operations.

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 15 June 2020 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 2020.

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

For the year ended 31 December 2020, 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 2020 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 2020 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 HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PROPOSED FINAL DIVIDEND AND BONUS SHARE ISSUE

The Board recommended a final dividend of HK3 cents (2019: HK3 cents) per ordinary share for the year ended 31 December 2020 to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company (the “**Register of Members**”) on Tuesday, 8 June 2021. 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, 31 May 2021 (the “**AGM**”). The final dividend will be paid on Monday, 21 June 2021 to the Shareholders whose names appear on the Register of Members on Tuesday, 8 June 2021.

The Board also recommended a bonus issue of shares (the “**Bonus Share Issue**”) to the Shareholders on the basis of one bonus share for every five existing shares held by Shareholders whose names appear on the Register of Members on Tuesday, 8 June 2021. The Bonus Share Issue is conditional upon the passing of the relevant resolution(s) at the AGM and the listing committee of the Stock Exchange (the “**Listing Committee**”) granting the listing of, and permission to deal in, the bonus shares. Further details of the Bonus Share Issue will be disclosed in further announcement and circular to be published by the Company.

BOOK CLOSURE

For the purpose of ascertaining the Shareholders' right to attend and vote at the AGM, the Register of Members will be closed from Wednesday, 26 May 2021 to Monday, 31 May 2021 (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 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, 25 May 2021.

For the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend and bonus shares, the Register of Members will be closed from Friday, 4 June 2021 to Tuesday, 8 June 2021 (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 and bonus shares, 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, 3 June 2021.

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 2020 will be despatched to the Shareholders and made available on the abovementioned websites by the end of April 2021.

By Order of the Board
Yiu Hon Ming
Chairman

Hong Kong • 29 March 2021

As at the date of this announcement, the Board comprises (a) six Executive Directors, namely, Mr. Yiu Hon Ming, Mr. Yiu Tat Sing, Mr. Li Chin Keung, Ms. Law Wai Ping, Mr. Chau Kam Wing Donald and Ms. Yiu Ho Ting; 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.