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SUN HING VISION GROUP HOLDINGS LIMITED
新興光學集團控股有限公司

SUN HING VISION GROUP HOLDINGS LIMITED
新興光學集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 125)

RESULTS ANNOUNCEMENT
FINANCIAL YEAR ENDED 31 MARCH 2018

The board (the "Board") of directors (the "Directors") of Sun Hing Vision Group Holdings Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018.

RESULTS

The global economy underwent rapid changes during the fiscal year under review. The volatile market demand of eyewear products and the rising operating costs adversely affected the Group's performance. As a result, the Group recorded a drop in consolidated turnover by 6.16% to HK$1,002 million (2017: HK$1,067 million) for the year ended 31 March 2018. Meanwhile, the profit attributable to owners of the Company decreased by 9.66% to HK$64 million (2017: HK$71 million). Accordingly, basic earnings per share also decreased to HK24 cents (2017: HK27 cents).

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	NOTES	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	3	**1,001,644**	1,067,448
Cost of sales		**(755,939)**	(799,602)
Gross profit		**245,705**	267,846
Other income, gains and losses	4	**9,411**	(6,089)
Selling and distribution costs		**(35,068)**	(34,710)
Administrative expenses		**(145,076)**	(140,359)
Share of loss of a joint venture		**(264)**	–
Profit before tax		**74,708**	86,688
Income tax expense	5	**(10,435)**	(16,145)
Profit for the year	6	**64,273**	70,543
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**7,186**	(2,921)
Share of other comprehensive expense of a joint venture		**(16)**	–
Total comprehensive income for the year		**71,443**	67,622
Profit (loss) for the year attributable to:			
Owners of the Company		**64,055**	70,903
Non-controlling interests		**218**	(360)
		64,273	70,543
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**71,138**	68,051
Non-controlling interests		**305**	(429)
		71,443	67,622
Earnings per share	8		
Basic		**HK24 cents**	HK27 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**273,207**	269,182
Prepaid lease payments		**3,041**	3,132
Investment properties		**7,401**	6,898
Intangible assets		**55,220**	–
Interest in a joint venture		**189**	–
Deposit paid for acquisition of property, plant and equipment		**3,391**	1,935
Deposit and other payments paid for acquisition of investment properties		**22,254**	–
Deferred tax assets		**687**	1,245
		365,390	282,392
CURRENT ASSETS			
Inventories		**114,561**	111,465
Trade and other receivables	9	**255,565**	289,322
Prepaid lease payments		**91**	91
Derivative financial instruments		**566**	4
Tax recoverable		**242**	11
Bank balances and cash		**391,383**	426,916
		762,408	827,809
CURRENT LIABILITIES			
Trade and other payables	10	**186,282**	168,305
Tax payable		**2,951**	9,072
		189,233	177,377
NET CURRENT ASSETS		**573,175**	650,432
		938,565	932,824
CAPITAL AND RESERVES			
Share capital		**26,278**	26,278
Share premium and reserves		**911,539**	906,096
Equity attributable to owners of the Company		**937,817**	932,374
Non-controlling interests		**79**	(226)
		937,896	932,148
NON-CURRENT LIABILITY			
Deferred tax liabilities		**669**	676
		938,565	932,824

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

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

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

Specially, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and amendments to HKFRSs and interpretations issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
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 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 "Financial Instruments"

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

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

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and the respective items that subject to impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, there would be no material impact on the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables.

HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. The directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

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

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

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

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

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$50,083,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$2,603,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of other new amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

3. SEGMENT INFORMATION

Whilst the chief operating decision maker, the Company's executive directors, regularly reviews revenue by geographical location of customers, information about profit or loss by geographical location of customers is not separately provided to the executive directors for their review. Financial information reported to the executive directors for the purposes of resource allocation and performance assessment is aggregated and focuses on the consolidated gross profit analysis of the business of manufacturing and trading of eyewear products of the Group as a whole.

As a result, there is only one operating segment for the Group, which is manufacturing and trading of eyewear products. Financial information regarding this segment can be made by reference to the consolidated statement of profit or loss and other comprehensive income.

The Group's revenue is arising from manufacturing and sales of eyewear products.

Geographical information

The Group's operations are located in Hong Kong and the Guangdong Province in the People's Republic of China (the "PRC"). The Group's information about its revenue from external customers analysed by place of domicile of the relevant group entity and other places are detailed below:

	Revenue from external customers	
	2018	2017
	HK$'000	*HK$'000*
Place of domicile of the relevant group entity:		
– Hong Kong	**33,900**	36,112
– The PRC	**84,598**	61,550
Other places:		
– Italy	**458,498**	450,598
– United States	**270,127**	322,256
– Other countries	**154,521**	196,932
	1,001,644	1,067,448

4. OTHER INCOME, GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Other income		
– Bank interest income	**3,194**	2,190
– Sales of scrap materials	**1,447**	219
– Government subsidies *(Note)*	**1,090**	–
– Royalty income	**440**	–
– Rental income	**394**	297
– Others	**156**	210
	6,721	2,916
Other gains and losses		
– Impairment losses reversed on trade receivables	**4,000**	–
– Fair value changes on derivative financial instruments	**562**	(190)
– Gain (loss) on disposals of property, plant and equipment	**356**	(255)
– Impairment losses recognised on trade receivables	**(1,123)**	(4,240)
– Net foreign exchange losses	**(1,105)**	(4,161)
– Bad debts directly written off	**–**	(159)
	2,690	(9,005)
	9,411	(6,089)

Note: Government subsidies mainly represent subsidies for participating in the local electricity saving scheme and employments related subsidies. They were credited to profit or loss upon receipt.

5. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	**9,951**	15,870
– PRC Enterprise Income Tax ("EIT")	**3,277**	3,809
– United States Witholding Tax	**132**	–
	13,360	19,679
Overprovision in respect of prior years		
– Hong Kong Profits Tax	**(2,820)**	(153)
– PRC EIT	**(656)**	(2,684)
	(3,476)	(2,837)
Deferred taxation		
– Current year	**551**	(697)
	10,435	16,145

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

PRC EIT is calculated at 25% of the assessable profits for subsidiaries established in the PRC in accordance with the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

Under the Law of United States on Income Tax, a withholding tax is required upon income earned by a non-United States resident enterprise. The withholding tax is calculated at 30% of income received and receivable for current year.

6. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration – audit services	**1,358**	1,338
Cost of inventories recognised as expense (inclusive of allowance for inventories of approximately HK$14,282,000 (2017: HK$17,499,000))	**739,381**	781,421
Release of prepaid lease payments	**91**	91
Depreciation and amortisation		
– depreciation of property, plant and equipment	**49,477**	51,175
– depreciation of investment properties	**151**	71
– amortisation of intangible assets	**464**	–
	50,092	51,246
Capitalised in inventories	**(4,200)**	(3,944)
	45,892	47,302

	2018 *HK$'000*	2017 *HK$'000*
Staff costs		
– directors' emoluments	**5,499**	4,856
– other staff costs, comprising mainly salaries	**374,828**	382,053
– retirement benefits scheme contribution excluding those of directors'	**36,369**	33,688
	416,696	420,597
Capitalised in inventories	**(59,524)**	(57,909)
	357,172	362,688

7. DIVIDENDS

	2018 *HK$'000*	2017 *HK$'000*
Dividends recognised as distribution during the year:		
Final, paid – HK10.0 cents per share for 2017 (2017: HK10.0 cents per share for 2016)	**26,278**	26,278
Special final, paid – HK9.0 cents per share for 2017 (2017: HK7.0 cents per share for 2016)	**23,650**	18,394
Interim, paid – HK4.5 cents per share for 2018 (2017: HK4.5 cents per share for 2017)	**11,825**	11,825
Special interim, paid – HK1.5 cents per share for 2018 (2017: HK1.5 cents per share for 2017)	**3,942**	3,942
	65,695	60,439

A final dividend of HK10.0 cents (2017: HK10.0 cents) per share in total of HK$26,278,000 (2017: HK$26,278,000) and a special final dividend of HK2.0 cents (2017: HK9.0 cents) per share in total of HK$5,256,000 (2017: HK$23,650,000) in respect of the year ended 31 March 2018 have been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

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

	2018 *HK$'000*	2017 *HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share	**64,055**	70,903
Number of shares		
Number of ordinary shares for the purposes of basic earnings per share	**262,778,286**	262,778,286

Diluted earnings per share is not presented for the years ended 31 March 2018 and 2017 as there was no potential ordinary share outstanding during both years.

9. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of 30 to 120 days to its customers. The following is an aged analysis of trade receivables based on payment due date net of allowance for doubtful debt at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
Current	**228,907**	266,362
Overdue up to 90 days	**13,492**	11,712
Overdue more than 90 days	**3,506**	1,555
	245,905	279,629
Prepayments	**2,028**	3,568
Deposits	**3,679**	3,438
Other receivables	**1,821**	2,176
Amount due from entities controlled by non-controlling shareholder of a subsidiary *(Note)*	**2,132**	367
Amount due from a non-controlling shareholder of a subsidiary *(Note)*	**–**	144
	255,565	289,322

Note: The amounts were unsecured, interest-free and repayable on demand.

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables based on payment due date at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Trade payables		
Current and overdue up to 90 days	**87,790**	79,229
Overdue more than 90 days	**11,737**	14,434
	99,527	93,663
Accruals	**74,884**	65,590
Amounts due to entities controlled by non-controlling shareholder of a subsidiary *(Note)*	**799**	239
Amounts due to a non-controlling shareholder of a subsidiary *(Note)*	**417**	–
Other payables	**10,655**	8,813
	186,282	168,305

Note: The amounts were unsecured, interest-free and repayable on demand.

11. EVENTS AFTER THE END OF THE REPORTING PERIOD

During the year, the Group has signed an agreement to acquire investment properties located in Hong Kong. The total consideration is HK$120,290,000, of which HK$12,029,000 has been paid during the year, the remaining balances was paid on 31 May 2018, of which HK$48,116,000 was financed by a mortgage loan. The acquisition was completed.

DIVIDENDS

The Directors have resolved to recommend at the forthcoming annual general meeting a final dividend of HK10.0 cents per share and a final special dividend of HK2.0 cents per share for the year ended 31 March 2018, to the shareholders whose names appear in the register of members of the Company at the close of business on 5 September 2018. This final and final special dividend, together with the interim and interim special dividend of HK6.0 cents per share already paid, will make a total distribution of HK18.0 cents per share for the full year. The final dividend and final special dividend are expected to be paid on or about 13 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 August 2018 to 24 August 2018 (both days inclusive) and from 31 August 2018 to 5 September 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited, Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong ("Hong Kong Share Registrar") not later than 4:00 p.m. on 17 August 2018. In order to qualify for the proposed final dividend and final special dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar not later than 4:00 p.m. on 30 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year under review, the Group's performance was adversely affected by the slow-down in the market demand for eyewear products. The Group's consolidated turnover decreased by 6.16% to HK$1,002 million (2017: HK$1,067 million). On the cost side, the persistent increase in operating costs in China where the Group's production bases are located, and the renewed appreciation of Renminbi against the US dollar put enormous pressure on the Group. Against such a backdrop, the Group's profitability was weakened and its gross profit margin decreased to 24.53% (2017: 25.09%). The Group attempted to carry out various efforts to streamline production and enhance efficiency, but the efficiency gains from those measures were not able to fully offset the negative cost impact. As a result, net profit margin of the Group decreased to 6.42% (2017: 6.61%).

The ODM Business

Original design manufacturing ("ODM") business accounted for 81.24% of the Group's total consolidated turnover and continued to be the largest contributor of the Group's revenue. For the year ended 31 March 2018, the Group recorded a drop in ODM turnover by 10.45% to HK$814 million (2017: HK$909 million). It was because the Group's major customers were cautious in managing their own inventories and adopted a conservative buying attitude. As a result, the Group experienced slowdown of product demand for both of its two major markets, Europe and United States. For the year ended 31 March 2018, the Group's ODM turnover to Europe decreased by 7.79% to HK$509 million (2017: HK$552 million). Meanwhile, the Group's ODM turnover to United States decreased by 16.15% to HK$270 million (2017: HK$322 million). The above reflected customers' pessimistic outlook for the market demand of eyewear products under uncertain political and economic climate. In terms of geographical allocation, Europe and United States accounted for 62.53% and 33.17% (2017: 60.73% and 35.42%) of the Group's ODM turnover respectively. In terms of product mix, sales of plastic frames, metal frames and others accounted for 53%, 46% and 1% (2017: 53%, 46% and 1%) of the Group's ODM turnover respectively.

The Branded Eyewear Distribution Business

Branded eyewear distribution business accounted for 18.76% of the Group's consolidated turnover. The performance of the Group's branded eyewear distribution business was relatively satisfactory. For the year ended 31 March 2018, the Group recorded a turnover of HK$188 million (2017: HK$158 million) from its distribution business, which represented a 18.99% increase in comparison with that of last fiscal year. Such growth was a combined result of two factors. Firstly, the Group started to deliver eyewear products of its newly obtained licensed brand, agnes b., effective from the fourth quarter of 2016/2017 fiscal year. As the market response to agnes b. eyewear products was very positive, this helped to stimulate the Group's turnover in Asian markets including Taiwan, Japan and Hong Kong. Secondly, the Group has expanded its distribution network in China by strengthening its alliance with the local strategic customers and exploring new selling platforms for eyewear products. This allowed the Group to capture a higher market share in China, which in turn drove the performance in that market. During the year under review, Asia continued to be the largest market of the Group. It accounted for 96.24% of the Group's distribution turnover. Within Asia, China and Japan were the top performing countries which contributed about 51.31% and 17.07% respectively of the Group's distribution turnover.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a strong liquidity and financial position. It recorded a net cash inflow of HK$157 million from operations during the year under review and did not have any bank borrowing as at 31 March 2018. The Group held cash and bank balance of HK$391 million as at 31 March 2018, which decreased as compared to the balance of HK$427 million as at 31 March 2017. It was mainly because the Group acquired the Jill Stuart trademark for its branded eyewear distribution business as per announcement dated 29 December 2017 and paid deposits for the acquisition of certain office premises located in Hong Kong (the "Property") as per announcement dated 13 November 2017 during the fiscal year under review. In November 2017, one of the Group's subsidiary entered into a sale and purchase agreement with independent third parties to acquire the Property. According to the agreement, the Group is required to pay an amount of HK$108 million as the balance of consideration, after deducting two deposits already paid during the year under review, on or before 31 May 2018 for the acquisition. The Group planned to finance such payment by internal resources and external borrowings. The Directors believe that the financial position of the Group is strong, and the Group has sufficient liquidity and financial resources to meet such payment obligation as well as other present commitments and future business plans.

As at 31 March 2018, the net current assets and current ratio of the Group were approximately HK$573 million and 4.0:1 respectively. The equity attributable to owners of the Company increased to HK$938 million as at 31 March 2018 from HK$932 million as at 31 March 2017 after the payment of interim and interim special dividend for the fiscal year under review. The Group adopted a proactive approach to manage its inventory and receivables with an aim to optimize working capital. Accordingly, debtor turnover period and inventory turnover period were managed at 90 days and 55 days respectively.

Given the Group's strong cash position, after considering the capital commitment in connection with the Property, the Directors have resolved to declare a final special dividend of HK2.0 cents per share on the top of the final dividend of HK10.0 cents per share for the year ended 31 March 2018. The Directors will continue to monitor the dividend policy closely to ensure that an optimal balance can be achieved between the retention of sufficient liquidity in the Group to prepare for the development ahead and the distribution of earnings to the shareholders respectively.

PROSPECTS

The Group expects that the business environment will continue to be tough and will be full of uncertainty in the years to come. On the one hand, trade protectionism is spreading among the world's leading countries, which dramatically changes the global trading landscape. The United States recently proposed tariffs on certain products exported from China. Although eyewear products are not covered in the list, the Group is still worried that the trade confrontation between the United States and China will dampen the market sentiment as customers may be concerned about the risk of a full blown trade war. Meanwhile, the United Kingdom has initiated Brexit negotiations with the European Union, which will trigger bargain of bilateral trade terms among European countries. This imposes further uncertainty on the economy of Europe. On the other hand, the Group expects that operating costs in China, in particular wages, will continue to increase and that may negatively affect the Group's profit margin.

To cope with the anticipated volatile product demand in the coming months, the Group will continue to maintain a flexible production capacity and intensify the standardization of production processes so that it will be easier to react to the rapidly changing business environment. The Group observes that the mode of its customers' preference is changing, from cost orientation to larger emphasis on the element of speed. Customers are now looking for agile supply chains and require their sourcing partners to be able to timely deliver products in a short lead time. In response to this need, the Group will further streamline its operation to eliminate duplicate work flows and speed up its internal decision making processes. It will also deepen its integration into customers' supply chains to enhance responsiveness.

Meanwhile, the Group will continue to implement a prudent budgetary control and reduce the Group's costs by optimizing materials consumption and exploring alternative sourcing channels. We will continuously explore rooms for efficiency gains through its specialized project teams comprising members from various functions. The Group will also continue to encourage continuous improvement and seek innovative ways for business that will help to enhance long-term operating efficiency.

For the branded eyewear distribution business, the Group will further expand its sales network, especially in Asian countries like China. New distribution platform and mechanism will be explored to increase the presence and penetration of the Group's branded eyewear products. In the meantime, the Group will continue to strengthen its brand portfolio by seeking new licensing opportunities or obtaining brands with strong potential. In December 2017, the Group acquired the trademark of Jill Stuart for eyewear and related products with an aim to exercise absolute and continuous control over the brand. This acquisition allows the Group to develop a more long-term business strategy for the Jill Stuart brand. After the acquisition, the Group will carry out a series of plans to refresh the Jill Stuart brand for eyewear in the coming months and it is expected that the Jill Stuart eyewear and related products will become an important driving force for the Group's future growth.

Looking forward, the Group believes that the business environment ahead will continue to be challenging. Levering on our strategy with vision, carefully executed business plan and our core strength in the industry, we are confident that we can overcome such difficulties, and will create long term value for our shareholders as well as deliver the objective of achieving sustainable growth in long run.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance with a view to enhance the management of the Company as well as to preserve the interests of the shareholders as a whole. The Board has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 of the Listing Rules. During the year ended 31 March 2018, the Company has complied with all applicable code provisions in the CG Code which were effective during the period between 1 April 2017 to 31 March 2018, except for the deviations from code A.2.1 of the CG Code as mentioned below:

Code A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Ku Ngai Yung, Otis has been assuming the roles of both the chairman and chief executive officer of the Company since its establishment. The Board intends to maintain this structure in the future as it believes that it would provide the Group with strong and consistent leadership and allow the Group's business operations, planning and decision making as well as execution of long-term business strategies to be carried out more effectively and efficiently. The Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

AUDIT COMMITTEE

An audit committee (the "Audit Committee") has been established by the Company with written terms of reference to act in an advisory capacity and to make recommendations to the Board. The members of the Audit Committee comprise the three independent non-executive Directors, who are Mr. Lo Wa Kei, Roy (Chairman), Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy. Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy are both qualified certified public accountants and possess the qualifications as required under rule 3.21 of the Listing Rules. None of the members of the Audit Committee is a member of the former or existing auditors of the Group. The Audit Committee has adopted the principles set out in the CG Code. The duties of the Audit Committee include review of the interim and annual reports of the Group, effectiveness of internal audit function as well as various auditing, financial reporting, risk management and internal control matters with the management and/or external auditor of the Company. The Group's consolidated financial statements for the year ended 31 March 2018 have been reviewed by the Audit Committee and audited by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

A remuneration committee (the "Remuneration Committee") was established by the Company with written terms of reference and currently comprises Mr. Lee Kwong Yiu (Chairman), Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy, all of whom are independent non-executive Directors, as well as the human resources manager of the Group. The duties of the Remuneration Committee include, inter alia, making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was established by the Company with written terms of reference. The Nomination Committee comprises Mr. Wong Che Man, Eddy (Chairman), Mr. Lo Wa Kei, Roy and Mr. Lee Kwong Yiu, all of whom are independent non-executive Directors, as well as the human resources manager of the Group. The duties of the Nomination Committee include, inter alia, the review of the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Moreover, in performing the duties, the Nomination Committee shall ensure that the Board has the appropriate balance of skills, experience and diversity of perspective appropriate to the requirements of the Company's business. Selection of the candidates to the Board shall be based on the Company's business model and specific needs with reference to a range of diversity perspectives, including but not limited to gender, age, language, cultural and education backgrounds, industry and professional experience.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions (the "Code"). Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Code throughout the year ended 31 March 2018.

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

During the year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 March 2018 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 HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is published on the websites of the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The annual report for the year ended 31 March 2018 will be dispatched to the shareholders of the Company and published on the websites of the Company and the Stock Exchange in due course.

APPRECIATION

On behalf of the Board, we would like to thank our customers for their support during the year. We would also like to express our sincere appreciation to our shareholders, staffs, suppliers and bankers for their efforts and commitments.

Ku Ngai Yung, Otis
Chairman

Hong Kong, 29 June 2018

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung, Mr. Chan Chi Sun and Ms. Ma Sau Ching, and three independent non-executive directors, namely Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy.