Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

OPERATING RESULTS

The Board of Directors (the "Board") of Sun Hing Vision Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2018, together with the comparative figures for the corresponding previous period as follows:

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2018

		Six months ended	
	NOTES	**30.9.2018** **_HK$'000_** **(unaudited)**	30.9.2017 *HK$'000* (unaudited)
Revenue	3	**650,086**	514,972
Cost of sales		**(509,261)**	(384,457)
Gross profit		**140,825**	130,515
Other income, gains and losses		**6,590**	(284)
Selling and distribution costs		**(13,628)**	(13,968)
Administrative expenses		**(81,417)**	(71,251)
Share of profit of a joint venture		**424**	–
Finance costs		**(344)**	–
Profit before tax		**52,450**	45,012
Income tax expense	4	**(7,729)**	(8,284)
Profit for the period	5	**44,721**	36,728
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(8,628)**	3,729
Share of other comprehensive expense of a joint venture		**(23)**	–
Total comprehensive income for the period		**36,070**	40,457
Profit for the period attributable to:			
Owners of the Company		**44,583**	36,664
Non-controlling interests		**138**	64
		44,721	36,728
Total comprehensive income for the period attributable to:			
Owners of the Company		**36,010**	40,359
Non-controlling interests		**60**	98
		36,070	40,457
Earnings per share			
Basic	7	**HK17 cents**	HK14 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2018

	NOTES	**30.9.2018** ***HK$'000*** **(unaudited)**	31.3.2018 *HK$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**279,444**	273,207
Prepaid lease payments		**2,995**	3,041
Investment properties		**136,872**	7,401
Intangible assets		**54,292**	55,220
Interest in a joint venture		**590**	189
Deposit paid for acquisition of property, plant and equipment		**5,821**	3,391
Deposit and other payments paid for acquisition of investment properties		**–**	22,254
Deferred tax assets		**687**	687
		480,701	365,390
CURRENT ASSETS			
Inventories		**121,764**	114,561
Trade and other receivables	8	**299,377**	255,565
Prepaid lease payments		**91**	91
Derivative financial instruments		**39**	566
Tax recoverable		**623**	242
Bank balances and cash		**320,486**	391,383
		742,380	762,408
CURRENT LIABILITIES			
Trade and other payables	9	**225,829**	186,282
Refund liabilities		**4,111**	–
Derivative financial instruments		**396**	–
Tax payable		**5,721**	2,951
Bank borrowings	10	**47,473**	–
		283,530	189,233
NET CURRENT ASSETS		**458,850**	573,175
		939,551	938,565
CAPITAL AND RESERVES			
Share capital		**26,278**	26,278
Share premium and reserves		**912,465**	911,539
Equity attributable to owners of the Company		**938,743**	937,817
Non-controlling interests		**139**	79
		938,882	937,896
NON-CURRENT LIABILITY			
Deferred tax liabilities		**669**	669
		939,551	938,565

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Sun Hing Vision Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Except as described below, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application of HKFRS 15 "Revenue From Contracts With Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Manufacturing and trading of eyewear products
- Trading of contact lens products
- Granting license of trademarks
- Leasing of properties

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return

For a sale of products with a right of return, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

Variable consideration

For contracts that contain variable consideration (contracts with right of return and contract of license of trademarks), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Revenue from granting license of trademarks is recognised over time when subsequent sale of licensing products from licensee occurs over the licensing period.

Revenue from manufacturing and trading of eyewear products and trading of contact lens are recognised at a point in time when the customer has received the goods.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

2.1.2 *Summary of effects arising from initial application of HKFRS 15*

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1 April 2018.

	Impact of adopting HKFRS 15 at 1 April 2018
	HK$'000
Retained profits	
Products with a right to return	3,550

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Remeasurement**	**Carrying amounts under HKFRS15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Refund liabilities	–	3,550	3,550
Retained profits	811,651	(3,550)	808,101

Note: As at 1 April 2018, refund liabilities relating to products with a right of return were amounted to HK$3,550,000.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Refund liabilities	4,111	(4,111)	–
Retained profits	821,150	4,242	825,392
Translation reserve	(6,274)	(131)	(6,405)

Note: As at 30 September 2018, refund liabilities relating to products with right of return were amounted to HK$4,111,000. The effect on translation reserve was amounted to HK$131,000.

Impact on condensed consolidated statement of profit and loss and other comprehensive income

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Revenue	650,086	692	650,778
Exchange difference arising on translation of foreign operation	(8,628)	(131)	(8,759)

Note: For the period ended 30 September 2018, the effect of refund liabilities relating to products with a right of return were amounted to HK$692,000. The exchange difference recognised in other comprehensive income was amounted to HK$131,000.

2.2 Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss and is included in the "other income, gains and losses" line item.

The directors of the Company review and assess the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date, and consider that there is no change in classification and measurement on the Group's financial assets.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits, other receivables, amounts due from entities controlled by non-controlling shareholder of a subsidiary and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The application of HKFRS 9 in the current interim period had no effect on the amounts reported in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

During the current interim period, due to the commencement of new business in trading of contact lens products and inclusion of other businesses as principal activities, management has identified them as new operating segments under HKFRS 8 "Operating Segments". Accordingly, the Group's operating segments, based on information reported to the chief operating decision maker ("CODM"), being the executive directors of the Company, for the purposes of resources allocation and performance assessment become as follows:

Eyewear products	–	manufacturing and trading of eyewear products
Contact lens	–	trading of contact lens products
Others	–	granting license of trademarks and leasing of properties

Information regarding the above operating segments, which are also reportable segments of the Group, is reported below.

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the six months period ended 30 September 2018

	Eyewear products	**Contact lens**	**Others**	**Elimination**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
SEGMENT REVENUE					
External sales	569,844	78,609	1,633	–	650,086
Inter-segment sales	–	–	6,752	(6,752)	–
	569,844	78,609	8,385	(6,752)	650,086
Segment results	44,633	3,121	5,739	–	53,493
Unallocated other income, gains and losses					2,051
Central administration costs					(3,174)
Share of profit of a joint venture					424
Finance costs					(344)
Profit before tax					52,450

Note: Included in others was royalty income from granting license of trademarks amounted to approximately HK$7,674,000. The inter-segment sales is amounted to approximately HK$6,752,000.

Inter-segment sales are charged at prevailing market rates or at terms determined and agreed by both parties.

For the six months period ended 30 September 2017, 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.

Segment results represent the results of each segment without allocation of certain other income, gain and losses, including bank interest income and loss on disposal of property, plant and equipment, central administration costs, including directors' salaries, finance costs, and items related to interest in a joint venture.

Total segment assets and liabilities are not disclosed as they are not regularly reviewed by the CODM.

4. INCOME TAX EXPENSE

	Six months ended	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
The charge comprises:		
Current year		
Hong Kong Profits Tax	**5,400**	7,404
People's Republic of China ("PRC") Enterprise Income Tax	**2,052**	880
United States Withholding tax	**277**	–
	7,729	8,284

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

PRC Enterprise Income Tax is calculated at the rates in accordance with the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law. The tax rate of the Group's subsidiaries in the PRC is 25% for both periods.

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.

A portion of the Group's profits earned by a principal subsidiary incorporated in Hong Kong, which is taxed on 50:50 apportionment basis, neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Further, in the opinion of the directors of the Company, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates for both periods.

5. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**25,095**	24,951
Amortisation of intangible assets	**928**	–
Depreciation of investment properties	**1,587**	75
Employee benefits expenses	**248,468**	211,179
Bank interest income	**(1,736)**	(1,556)
Net foreign exchange (gain) losses	**(6,356)**	2,192
Release of prepaid lease payments	**46**	46
Fair value changes on derivative financial instruments	**923**	(398)
Loss (gain) on disposals of property, plant and equipment	**283**	(203)
Write-down of inventories	**3,981**	1,832
Impairment losses recognised (reversed) on trade receivables, net	**894**	(330)

6. DIVIDENDS

During the period, a final dividend in respect of the year ended 31 March 2018 of HK10.0 cents per share and a special dividend of HK2.0 cents per share amounting to approximately HK$31,534,000 in total (six months ended 30 September 2017: final dividend in respect of the year ended 31 March 2017 of HK10.0 cents per share and a special dividend of HK9.0 cents per share amounting to approximately HK$49,928,000 in total) were paid to shareholders.

Subsequent to 30 September 2018, the directors determined that an interim dividend of HK4.5 cents per share and a special dividend of HK1.5 cents per share in respect of the year ending 31 March 2019 (2017: an interim dividend of HK4.5 cents per share and a special dividend of HK1.5 cents per share) will be paid to the shareholders of the Company whose names appear in the Register of Members on 21 December 2018.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to the owners of the Company for the purpose of basic earnings per share	**44,583**	36,664
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	**262,778,286**	262,778,286

No diluted earnings per share is presented as there was no potential ordinary share outstanding during both periods.

8. TRADE AND OTHER RECEIVABLES

The Group allows a credit period at between 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:

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
Trade receivables *(Note i)*		
Current	**279,793**	228,907
Overdue up to 90 days	**8,476**	13,492
Overdue more than 90 days	**2,039**	3,506
	290,308	245,905
Prepayments	**3,082**	2,028
Deposits	**3,551**	3,679
Other receivables	**1,926**	1,821
Amounts due from entities controlled by non-controlling shareholder of a subsidiary *(Note ii)*	**510**	2,132
Trade and other receivables	**299,377**	255,565

Notes:

(i) Included in the balances was an amount receivable from a joint venture amounted to approximately HK$459,000 (31 March 2018: nil). The amount is unsecured, interest-free, repayable on demand with a credit period of 60 days and with ageing of current based on payment due date as at 30 September 2018.

(ii) The amounts are unsecured, interest-free and repayable on demand.

9. 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:

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
Trade payables		
Current and overdue up to 90 days	**112,920**	87,790
Overdue more than 90 days	**18,871**	11,737
	131,791	99,527
Accruals	**79,141**	74,884
Amounts due to entities controlled by a non-controlling shareholder of a subsidiary *(Note)*	**–**	799
Amount due to a non-controlling shareholder of a subsidiary *(Note)*	**47**	417
Other payables	**14,850**	10,655
	225,829	186,282

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

10. BANK BORROWINGS

During the current interim period, the Group has completed the acquisition of investment properties located in Hong Kong. The total consideration is HK$120,290,000 of which HK$12,029,000 was paid during the year ended 31 March 2018. The remaining balance was paid on 31 May 2018 (date of acquisition), of which HK$48,116,000 was financed by a mortgage loan. The Group has also capitalised approximately HK$10,225,000 during the year ended 31 March 2018 and HK$1,102,000 on 31 May 2018 (date of acquisition) for expenditures directly attributed to the acquisition.

The loan carries interest at variable market rate of 1.3% above 1-month Hong Kong Interbank Offering Rate per annum, with a cap interest rate 3.1% below the Hong Kong dollar Prime Rate per annum quoted by the lending bank and are repayable by instalments over a period of 20 years with a repayable on demand clause. The effective interest rates were carried at 2.28% per annum. The proceeds were used to finance the acquisition of investment properties.

The bank loan is secured by the Group's investment properties with a carrying amount of HK$130,105,000 (31 March 2018: nil).

INTERIM DIVIDEND AND INTERIM SPECIAL DIVIDEND

The Directors have resolved to declare an interim dividend of HK4.5 cents per share and an interim special dividend of HK1.5 cents per share for the six months ended 30 September 2018 (2017: HK4.5 cents and HK1.5 cent). The interim dividend and interim special dividend will be payable on or about 9 January 2019 to the shareholders whose names appear on the register of members of the Company at the close of trading on 21 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 December 2018 to 21 December 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend and interim special dividend, all transfers 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 not later than 4:00 p.m. on 17 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The business environment continued to change rapidly and remained difficult during the period under review. In response to the challenging business landscape, the Group introduced different measures to capitalize on market opportunities and to enhance operation. For the six months ended 30 September 2018, the Group recorded an increase in consolidated turnover by 26.24% to HK$650.1 million (2017: HK$515.0 million) as a result of the growth in the existing ODM business and the branded eyewear distribution business, as well as the commencement of the new branded contact lens distribution business. However, profitability of the Group was weakened by the persistent increase in operating costs, in particular labor costs, in China. In July 2018, the Chinese government raised the statutory minimum wages in Dongguan and Heyuan city, where the Group's production facilities are located, by approximately 14% and 17% respectively. Since labor costs represent a significant portion of the Group's operating costs, the recent increase of minimum wages had profound adverse impact on the Group's profitability. Furthermore, the Renminbi was generally stronger against the U.S. dollars in the first half of the current fiscal year than the corresponding period in the preceding year. In addition, the Group's customers generally became more cost-conscious during the review period and were highly sensitive to product pricing. This in turn imposed pressure on the Group's profitability. As a result, for the six months ended 30 September 2018, the Group recorded a decrease in gross profit margin and net profit margin to 21.66% (2017: 25.34%) and to 6.88% (2017: 7.13%) respectively. Despite lower profitability, the Group's profit attributable to the owners of the Company increased by 21.60% to HK$44.6 million (2017: HK$36.7 million) due to a higher level of consolidated turnover. Accordingly, basic earnings per share also increased to HK17 cents (2017: HK14 cents).

The ODM Business

For the six months ended 30 September 2018, the Group's turnover from ODM business increased by 10.98% to HK$467.1 million (2017: HK$420.9 million), which accounted for 72% of the Group's total consolidated turnover. Customers were in general more confident to replenish their inventories due to stronger retail sales in the respective markets. Europe and United States continued to be the two largest markets of the Group. During the period under review, the Group's ODM turnover to Europe increased by 8.82% to HK$283.9 million (2017: HK$260.9 million), while that to United States increased by 13.46% to HK$163.5 (2017: HK$144.1 million). In terms of product mix, sales of plastic frames, metal frames and others accounted for 51%, 48% and 1% (2017: 53%, 46% and 1%) of the Group's ODM turnover respectively. The Group observed a rising market demand for metal frames during the review period. It has timely adjusted its production capacity in order to capture the related market opportunities.

The Branded Eyewear Distribution Business

For the six months ended 30 September 2018, the Group's turnover from its branded eyewear distribution business increased by 9.14% to HK$102.7 million (2017: HK$94.1 million), which accounted for 16% of the Group's total consolidated turnover. Such increase was mainly a result of the Group's effort to strengthen its distribution network in China. In addition, the sales performance of the Group's agnes b. eyewear products was encouraging in the markets of Japan, Taiwan and Hong Kong. This further stimulated the distribution turnover of the Group during the period. Asia accounted for 97% of the Group's distribution business.

The Branded Contact Lens Business

The Group acquired Jill Stuart trademark for eyewear and related products in the last fiscal year. To fully utilize the business opportunities offered by the brand, the Group started to sell colour contact lens under the Jill Stuart brand in the first quarter of 2018/19 fiscal year. The initial market response for the Group's colour contact lens products was positive. For the six months ended 30 September 2018, the Group's turnover from its branded contact lens business reached HK$78.6 million, which accounted for 12% of the Group's total consolidated turnover. Asia accounted for 100% of the Group's branded contact lens business.

Other Businesses

For the period under review, the Group received income from external parties for trademark licensing and property rental totaling HK$1.6 million. External trademark licensing income and property rental from investment properties amounted to HK$0.9 million and HK$0.7 million respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a strong liquidity and financial position. It recorded a net cash inflow of HK$57.7 million from operations during the period under review. The Group held a cash and bank balance of HK$320.5 million as at 30 September 2018, which decreased in comparison to the balance of HK$391.4 million as at 31 March 2018. It was mainly due to the balance payment of HK$108.3 million for the Group's acquisition of certain office premises located in Hong Kong (the "Property") during the period under review. Further details of the acquisition can be referred to the announcement of the Company dated 13 November 2017. To partially finance the acquisition of the Property, the Group has obtained a Hong Kong dollar floating-rate mortgage loan from a bank during the review period, which is secured by the Property. As at 30 September 2018, the Group's total bank borrowing was approximately HK$47.5 million, which is repayable by installments over 20 years with a repayable on demand clause. The gearing ratio (being the percentage of bank borrowings over equity attributable to owners of the Company) as at 30 September 2018 was 5.06%.

As at 30 September 2018, the net current assets and current ratio of the Group were approximately HK$458.9 million and 2.6 respectively. The total equity attributable to owners of the Company slightly increased to HK$938.7 million as at 30 September 2018 from HK$937.8 million as at 31 March 2018. The Group managed it receivable collection and inventory with diligence. Accordingly, debtor turnover period and inventory turnover period were managed at a level of 82 days and 44 days respectively. The Directors are confident that the financial position of the Group will remain strong, and the Group has sufficient liquidity and financial resources to meet its present commitments and future business needs.

Given the Group's strong liquidity and solid cash position, the Directors have again resolved to declare an interim special dividend of HK1.5 cents per share on the top of the interim dividend of HK4.5 cents per share for the six months ended 30 September 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 future development ahead and the distribution of earnings to the shareholders respectively.

PROSPECTS

It is expected that the business environment for the second half of the current fiscal year will be full of uncertainty. The market demand for eyewear products is likely to be highly volatile. The ongoing trade dispute between the United States and China will probably dampen the general market sentiment. In addition, although eyewear is not included in the list of products for the recently enacted tariff imposed on goods made in China by the government of United States, it remains highly uncertain that whether any such tariffs will be imposed in the future on the Group's products made in China. It is also expected that the U.S. dollar, under the rising interest rate hiking environment in the United States, may further appreciate against other major currencies. The appreciation of the U.S. dollar is likely to adversely affect the purchasing power of many of the Group's customers located outside of the United States, which will in turn undermine the demand for eyewear products in the affected regions. To prepare ahead for the fluctuating market demand, the Group will continue to maintain a flexible production capacity. Production processes will be further re-engineered to increase the interchangeability among production lines on different types of products. The highly volatile business environment also raises the needs of our customers for shorter delivery leadtime and a more efficient and reliable partner for their supply chains. The Group will further carry out measures to shorten the lead time for its product development, production and other services. Operation will be continuously streamlined and restructured in a way which allows the Group to create and deliver the highest value to customers. We strive to become an irreplaceable partner that grows together with our customers.

The operating costs in China are expected to further increase in the coming future. It is mainly due to the general shortage of labor in Southern China and also the determination of the Chinese government to improve the general living standard of the citizens. To cope with the rising operating costs, the Group will continue to implement a prudent but yet proactive control on budget and expenditure. Levering on a strong balance sheet, resources will be further spent on carefully selected assets to automate the operation so that the Group will be less affected by the fluctuation of labor supply. The Group will continuously explore room for cost reduction and efficiency gain. Our specially assigned team, consisting of members from different departments, will further deepen and widen its scope of work with an aim to find new ways for operation that can enhance the competitiveness and efficiency of the Group in the long run.

The Group believes that the eyewear distribution business will be an important driver for future growth. To explore new business opportunities, the Group will further strengthen its sales network, broaden its customer base and seek new platform for distribution in Asian countries, especially China. The Directors of the Group are aware that a strong brand portfolio will be critical to the success of the eyewear distribution business. For this reason, the Group will optimize its existing brand mix by phasing out non-performing brands and markets so as to reserve resources for developing brands and markets with high potentials. In the meantime, the Group will closely monitor the performance of the contact lens business and will take necessary measures to ensure the healthy development of this new business.

Looking ahead, the business landscape of the second half of 2018/19 fiscal year will be full of challenges and opportunities. We will follow our established strategy and carefully execute the measures as mentioned above to find room for growth during the uncertain environment. We are confident that we can continue to create long-term value for our shareholders and deliver the objective to achieve sustainable growth in the 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 and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") and the Corporate Governance Report contained in Appendix 14 of the Listing Rules which were effective during the reporting period, except for the deviation from code provision A.2.1 of the CG Code.

Code provision 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 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 of the Company, 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 as well as various auditing, financial reporting, internal control and risk management matters with the management and/or external auditor of the Company. The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2018 have been reviewed by the audit committee together with the Company's external auditor Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

A 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 of the Company, 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 was established by the Company with written terms of reference. The nomination committee currently 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 of the Company, 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 (the "Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard under the Model Code. Having made specific enquiry of all directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 September 2018.

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

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

APPRECIATION

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

On behalf of the Board
Ku Ngai Yung, Otis
Chairman

Hong Kong, 23 November 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.