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 2019

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 2019, 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 2019

	NOTES	Six months ended 30.9.2019 HK$'000 (unaudited)	30.9.2018 HK$'000 (unaudited)
Revenue			
Goods		**489,341**	648,453
Rental		**1,474**	711
Royalty		**909**	922
Total revenue	3	**491,724**	650,086
Cost of sales		**(399,447)**	(509,261)
Gross profit		**92,277**	140,825
Other income, gains and losses		**(3,064)**	7,484
Net impairment losses on trade receivables		**(480)**	(894)
Selling and distribution costs		**(15,080)**	(13,628)
Administrative expenses		**(78,737)**	(81,417)
Share of (loss) profit of a joint venture		**(441)**	424
Finance costs		**(1,227)**	(344)
(Loss) profit before tax		**(6,752)**	52,450
Income tax expense	4	**(1,643)**	(7,729)
(Loss) profit for the period	5	**(8,395)**	44,721
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(2,889)**	(8,628)
Share of other comprehensive expense of a joint venture		**(19)**	(23)
Total comprehensive (expense) income for the period		**(11,303)**	36,070
(Loss) profit for the period attributable to:			
Owners of the Company		**(8,592)**	44,583
Non-controlling interests		**197**	138
		(8,395)	44,721
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(11,399)**	36,010
Non-controlling interests		**96**	60
		(11,303)	36,070
(Loss) earnings per share			
Basic	7	**(HK3 cents)**	HK17 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2019

	NOTES	**30.9.2019** **_HK$'000_** **(unaudited)**	31.3.2019 *HK$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**279,651**	281,577
Right-of-use assets		**39,735**	–
Prepaid lease payments		**–**	2,950
Investment properties		**131,957**	134,701
Intangible assets		**52,436**	53,364
Interest in a joint venture		**534**	994
Deposit paid for acquisition of property, plant and equipment		**4,573**	5,036
Deferred tax assets		**147**	147
		509,033	478,769
CURRENT ASSETS			
Inventories		**126,426**	115,602
Trade and other receivables	8	**249,791**	256,457
Prepaid lease payments		**–**	91
Derivative financial instruments		**49**	325
Tax recoverable		**3,271**	3,283
Bank balances and cash		**323,693**	358,768
		703,230	734,526
CURRENT LIABILITIES			
Trade and other payables	9	**200,064**	199,677
Refund liabilities		**3,236**	4,056
Derivative financial instruments		**1,012**	152
Lease liabilities		**13,606**	–
Tax payable		**6,720**	6,319
Bank borrowings	10	**45,536**	46,508
		270,174	256,712
NET CURRENT ASSETS		**433,056**	477,814
		942,089	956,583
CAPITAL AND RESERVES			
Share capital		**26,278**	26,278
Share premium and reserves		**889,462**	927,139
Equity attributable to owners of the Company		**915,740**	953,417
Non-controlling interests		**528**	432
		916,268	953,849
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,734**	2,734
Lease liabilities		**23,087**	–
		25,821	2,734
		942,089	956,583

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

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 April 2019 for the preparation of the Group's condensed consolidated financial statements:

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

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application of HKFRS 16 "Leases"

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at the inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to certain leases of properties, motor vehicles and machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which they are located or restoring the underlying assets to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful lives. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the condensed consolidated statement of financial position.

Leasehold land and buildings

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivables;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

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

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

ii. excluded initial direct costs for measurement of the right-of-use assets at the date of initial application;

iii. the use of hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Company's leases with extension and termination options; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payment by applying HKFRS 16.C8(b)(ii). The Group has recognised lease liabilities of HK$42,818,000 and right-of-use assets of HK$46,189,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied was 4.31% per annum.

	At 1 April 2019 *HK$'000*
Operating lease commitments at 31 March 2019	53,221
Lease liabilities discounted at relevant incremental borrowing rates	42,933
Less: Recognition exemption – short term lease	(115)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 at 1 April 2019	42,818
Analysed as	
Current	16,842
Non-current	25,976
	42,818

The carrying amount of right-of-use assets at 1 April 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	42,818
Reclassified from prepaid lease payments (note a)	3,041
Adjustments on rental deposits at 1 April 2019	330
	46,189
By class:	
Leasehold land and buildings	46,189

Note:

(a) Certain upfront payments for leasehold lands were classified as prepaid lease payments at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$91,000 and HK$2,950,000, respectively, were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition.

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

	Carrying amounts previously reported at 31 March 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 April 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Right-of-use assets	–	46,189	46,189
Prepaid lease payments	2,950	(2,950)	–
Current Assets			
Prepaid lease payments	91	(91)	–
Trade and other receivables	256,457	(330)	256,127
Total effect on assets	259,498	42,818	302,316
Current Liabilities			
Lease liabilities	–	16,842	16,842
Non-current liabilities			
Lease liabilities	–	25,976	25,976
Total effect on and liabilities	–	42,818	42,818

Note: For the purpose of reporting cash flows from operating activities under the indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on the opening condensed consolidated statement of financial position at 1 April 2019 disclosed above.

3. REVENUE AND SEGMENT INFORMATION

Performance obligations for contracts with customers

The Group manufactures and sells the eyewear products and sells the contact lens to customers directly. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, also have the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is mainly 30 to 120 days upon delivery. Under the Group's standard contract terms, customers may have a right to return defective products. The Group uses its accumulated historical experience to estimate the number of exchange. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur.

The Group also receives royalty income from granting license of trademarks. Revenue is recognised over time when subsequent sale of licensing products from licensee occurs over the licensing period. The normal credit term is 30 days upon the end of a licensing period.

Transaction price allocated to the remaining performance obligation for contract with customers

Eyewear products and contact lens are delivered within a period less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Contract for royalty income are typically have a 3-years non-cancellable term in which the Group bills at a fixed rate for licensing product. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to receive according to licensing agreement. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 2019

	Eyewear products *HK$'000*	**Contact lens** *HK$'000*	**Others** *HK$'000* *(Note)*	**Elimination** *HK$'000*	**Consolidated** *HK$'000*
SEGMENT REVENUE					
External sales	**480,946**	**8,395**	**2,383**	**–**	**491,724**
Inter-segment sales	**–**	**–**	**2,293**	**(2,293)**	**–**
	480,946	**8,395**	**4,676**	**(2,293)**	**491,724**
Segment results	**(6,292)**	**119**	**1,380**	**–**	**(4,793)**
Unallocated other income, gains and losses					**2,943**
Central administration costs					**(3,234)**
Share of loss of a joint venture					**(441)**
Finance costs					**(1,227)**
Loss before tax					**(6,752)**

For the six months period ended 30 September 2018

	Eyewear products *HK$'000*	Contact lens *HK$'000*	Others *HK$'000* *(Note)*	Elimination *HK$'000*	Consolidated *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$3,202,000 (30 September 2018: HK$7,674,000). The related inter-segment sales is amounted to approximately HK$2,293,000 (30 September 2018: HK$6,752,000).

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

Segment results represent the results of each segment without allocation of certain other income, gains and losses (including bank interest income and gain/loss on disposal of property, plant and equipment), central administration costs (including directors' salaries), finance costs, and share of loss/profit of 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	
	30.9.2019	30.9.2018
	HK$'000	*HK$'000*
The charge comprises:		
Current year		
Hong Kong Profits Tax	**450**	5,400
People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	**1,878**	2,052
United States Withholding tax	**273**	277
	2,601	7,729
Overprovision in respect of prior years		
PRC EIT	**(958)**	–
	1,643	7,729

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

Accordingly, starting from the current year, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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. Pursuant to relevant laws and regulations in the PRC, a subsidiary of the Company is granted tax incentives for being qualified as a High and New Technology Enterprise and is entitled to a concessionary tax rate of 15% for 3 years from 2018 to 2020.

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. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2019	30.9.2018
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**25,611**	25,095
Depreciation of right-of-use assets	**9,121**	–
Amortisation of intangible assets (included in cost of sales)	**928**	928
Depreciation of investment properties	**2,339**	1,587
	37,999	27,610
Capitalised in inventories	**(11,840)**	(11,926)
	26,159	15,684
Release of prepaid lease payments	**–**	46
Employee benefits expenses	**212,345**	248,468
Capitalised in inventories	**(165,942)**	(195,810)
	46,403	52,658
Net foreign exchange losses (gain)	**4,871**	(6,356)
Fair value changes on derivative financial instruments	**1,136**	923
(Gain) loss on disposals of property, plant and equipment	**(298)**	283
Write-down of inventories	**7,829**	3,981
Net impairment losses recognised on trade receivables	**480**	894
Finance costs:		
– Interest on bank borrowings	**526**	344
– Interest expenses on lease liabilities	**701**	–
	1,227	344
Bank interest income	**(2,478)**	(1,736)

6. DIVIDENDS

During the current period, a final dividend in respect of the year ended 31 March 2019 of HK10.0 cents per share amounting to approximately HK$26,278,000 in total (six months ended 30 September 2018: 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) was declared and paid to owners of the Company.

Subsequent to 30 September 2019, the directors determined that an interim special dividend of HK1.5 cents per share in respect of the year ending 31 March 2020 (2018: an interim dividend of HK4.5 cents per share and an interim 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 20 December 2019.

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.9.2019	30.9.2018
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings attributable to the owners of the Company for the purpose of basic (loss) earnings per share	**(8,592)**	44,583
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 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 credit loss at the end of the reporting period:

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Trade receivables – goods		
Current	**216,832**	226,391
Overdue up to 90 days	**20,586**	12,659
Overdue more than 90 days	**1,078**	2,602
	238,496	241,652
Prepayments	**2,361**	2,703
Deposits	**4,757**	4,403
Value-added tax and other receivables	**3,241**	7,204
Amounts due from entities controlled by non-controlling shareholders of a subsidiary (Note)	**936**	488
Amount due from a non-controlling shareholder of a subsidiary (Note)	**–**	7
	249,791	256,457

Note: 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:

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Trade payables		
Current and overdue up to 90 days	**105,286**	99,175
Overdue more than 90 days	**10,787**	11,570
	116,073	110,745
Accruals	**73,123**	77,604
Deposits received from tenants	**705**	704
Value-added tax and other payables	**10,163**	10,624
	200,064	199,677

10. BANK BORROWINGS

During the current interim period, no additional bank loan have been obtained by the Group (30 September 2018: HK$48,116,000).

The bank loan of the Group is secured by the Group's investment properties with a carrying amount of HK$125,566,000 (31 March 2019: HK$127,835,000).

INTERIM SPECIAL DIVIDEND

The Directors have resolved to declare an interim special dividend of HK1.5 cents per share for the six months ended 30 September 2019 (2018: interim dividend of HK4.5 cents and interim special dividend of HK1.5 cent). The interim special dividend will be payable on or about 8 January 2020 to the shareholders whose names appear on the register of members of the Company at the close of trading on 20 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 December 2019 to 20 December 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed 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 16 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The business landscape dramatically worsened during the period under review. For the six months ended 30 September 2019, the Group's consolidated turnover decreased by 24.36% to HK$492 million (2018: HK$650 million) due to the decrease of market demand for eyewear products as well as the significant reduction of revenue from the Group's contact lens business. The decline in consolidated turnover made the Group suffer from diseconomies of scale in operation. Moreover, the operating costs in China further increased during the period which led to additional cost pressure on the Group. As a result, the Group's profitability severely deteriorated, which brought about a mild loss attributable to the owners of the Company of approximately HK$9 million (2018: profit attributable to the owners of the Company – HK$45 million) and loss per share of HK3 cents (2018: earnings per share – HK17 cents).

The Group recorded a decrease of gross profit margin and net profit margin to 18.77% (2018: 21.66%) and -1.71% (2018: 6.88%) respectively. Such decrease was caused by the continuously rising labor costs in Southern China, the intensified market competition in the industry and the fact that the Group could not immediately adjust its fixed costs in response to the sudden reduction in market demand. During the review period, the Group has carried out various projects through its cross-functional teams to enhance operating efficiency and reduce costs. It also reallocated some of its production processes out of Southern China with an aim to reduce labor costs and secure a relatively stable labor supply. Those measures helped the Group to obtain efficient gains, but those gains were not able to fully offset the negative impacts as caused by the rapidly deteriorating business environment.

The ODM Business

For the six months ended 30 September 2019, the Group's turnover from original design manufacturing ("ODM") business decreased by 17.56% to HK$385 million (2018: HK$467 million). Such decrease was a result of various economic and political incidents. In the market of the United States, the market sentiment was adversely affected by the trade tension between the United States and China. In August 2019, the government of the United States announced to impose a tariff of 15% on Chinese eyewear products. Although such tariff only came to effect in September 2019, the underlying trade negotiation carried out substantially throughout the review period had a profound negative impact on consumers' attitude and made customers being prudent in order placement. As a result, the Group's ODM turnover to the United States decreased by 5.49% to HK$155 million (2018: HK$164 million). In the market of Europe, customers were also very prudent in order placement due to the sluggish retail sales in general within the region, as well as the deterioration in macroeconomic environment and business uncertainty as caused by the trade dispute between China and the United States as mentioned above and the Brexit issue of the United Kingdom. Also certain customers of the Group in the region consolidated their own brand portfolios, which affected their orders for the Group. As a result, the Group's ODM turnover to Europe decreased by 28.87% to HK$202 million (2018: HK$284 million). For the review period, turnover from the Group's ODM business represented 78% of the Group's consolidated turnover. In terms of geographical mix, Europe and Unites States continued to be the two largest markets for the Group's ODM business. They accounted for 52.47% and 40.26% of the Group's total ODM turnover respectively. In terms of product mix, the Group observed a steadily rising demand for plastic frames during the review period. The Group had swiftly adjusted its production facilities to respond to the changing market trend. Sales of metal frames, plastic frames and others accounted for 50%, 49% and 1% (2018: 51%, 48% and 1%) of the Group's ODM turnover respectively.

The Branded Eyewear Distribution Business

For the six months ended 30 September 2019, the Group's turnover from its branded eyewear distribution business decreased by 6.80% to HK$96 million (2018: HK$103 million), which accounted for 20% of the Group's total consolidated turnover. Such decrease was mainly caused by the slowdown of market demand from China as the growth momentum of Chinese economy slowed down. Asia continued to be the largest market of the Group's eyewear distribution business and contributed 97.92% of the Group's total eyewear distribution turnover.

The Branded Contact Lens Business

For the six months ended 30 September 2019, the Group's turnover from its branded contact lens business significantly decreased by 89.87% to HK$8 million (2018: HK$79 million). It was because the Group recorded a relatively high sales base in corresponding period last year as the distribution channels at that time needed a relative high level of initial inventories upon commencement of contact lens business by the Group. Besides, the Group's branded color contact lens are highly consumer discretionary and fashion oriented in nature. Their sales were very sensitive to the economic change and were negatively affected by worsening business environment and consumer sentiment during the period under review.

Other Businesses

For the period under review, the Group received a licensing income of HK$1 million (2018: HK$1 million) from an external party in connection with the trademark of Jill Stuart. The Group also received a rental income of HK$1 million (2018: HK$1 million) from external parties for certain investment properties owned.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a strong liquidity and financial position. It recorded a net cash inflow of HK$24 million from operations during the period under review. As at 30 September 2019, the Group held a cash and bank balance of HK$324 million. It also had an outstanding bank borrowing of approximately HK$46 million, which is repayable by installments over a period of 20 years with a repayable on demand clause. The debt-to-equity ratio (expressed as a percentage of bank borrowings over equity attributable to owners of the Company) as at 30 September 2019 was 4.97%.

As at 30 September 2019, the net current assets and current ratio of the Group were approximately HK$433 million and 2.6:1 respectively. The total equity attributable to owners of the Company decreased to HK$916 million as at 30 September 2019 from HK$953 million as at 31 March 2019 after the payment of the final dividend for the preceding fiscal year. The Group carefully monitored its receivable and inventory. Accordingly, debtor turnover period and inventory turnover period were managed at a level of 89 days and 58 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.

Despite the significant decline of the Group's profitability in the extremely challenging business environment, given the Group's strong liquidity and solid cash position, the Directors resolved to declare an interim special dividend of HK1.5 cents per share for the six months ended 30 September 2019. 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

The business environment is expected to be very challenging in the coming future. The tariff imposed by the government of the United States on Chinese eyewear products has just come to effect in September 2019. The Directors anticipate that the new tariff is likely to adversely and directly affect the sales orders involving shipments to the United States in the second half of current fiscal year. Businesses with the European customers will also be indirectly affected through dampened consumer sentiment and increased business uncertainty as a result.

Customers from the United States are expected to become even more conscious on product pricing in view of the additional tariff costs. In addition, the Group foresees that the economy of Asia may further slowdown. This may hinder the development of the Group's eyewear distribution business in Asia, which is now an important driver for the Group's sales growth.

In order to prepare ahead for the challenging business landscape and improve the Group's profitability, the Group will further streamline its operation to enhance efficiency. In the meantime, the Group will strengthen its order analysis function and technical study in the pre-production stage so to effectively differentiate sales orders in a way which allows the Group to adopt the most cost-effective production approach to handle the orders. The Group will enhance its control over costs and expenditure by implementing a prudent budget and looking for alternative material sourcing. In addition, the Group will speed up its plan to diversify production facilities outside of Southern China in order to secure a stable labour supply at reasonable costs. The Directors observe that the labor costs in Southern China continue to rise and the labor supply there is volatile. In order to address those problems, the Group has established a new production site under initial run in Henan province of China during the review period to handle certain labour intensive production works. In the meantime, the Group will execute plan to set up a facility in Vietnam with an aim to reduce reliance on its production facilities in China under the current tense relation between the United States and China. Despite the prudent control on expenditure, the Group will continue to invest in assets that will enhance automation and increase the Group's long-term competitiveness.

For the branded eyewear distribution business, the Group will further strengthen its product design function to develop unique features that enhance customers' experience on products. Meanwhile, new distribution channels and platforms will be explored to let the Group's products being able to reach new potential customers inaccessible to the traditional distribution networks. The Group will continue to refresh its portfolio to phase out non-performing brands and introduce new brands with high potential. Taking this opportunity, the Directors are pleased to announce that the Group has obtained exclusive right in China for distributing eyewear products bearing the reputable brand of "Kenzo". The first collection of the Kenzo eyewear will be introduced to the market in the second half of current fiscal year. The Directors believe that it will help to strengthen the Group's brand portfolio and contribute to the Group with a new source of income.

The Directors believe that the performance of its contact lens business will continue to be highly volatile due to its highly fashion oriented and consumer discretionary nature. 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.

The current business environment is extremely challenging and the Group expects that such an unfavorable situation will persist until the global economy resumes its growth momentum after the several existing political and economical issues such as the trade dispute are resolved. To weather this difficult environment, the Group will carefully execute the measures as mentioned above. In the meantime, we will retain sufficient financial resources to prepare for any uncertainty ahead and to grasp the business opportunities that may emerge. Levering on our vision and financial strength, despite the short-term pressure on profitability, 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 2019 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 and that the Company makes relevant disclosure in accordance with the requirements of the Listing Rules.

The Company has adopted the policy related to nomination of the Directors. When a candidate is recommended and selected or when an existing Director is recommended and selected for re-election, decision will be made according to factors including such candidate's integrity, professional knowledge, industry experience and commitment to the Group's business in respect of time and attention. In addition, the nomination committee will also consider the long-term objective of the Group and the requirements as set out in Rule 3.13 of the Listing Rules (if applicable). Candidates are required to make appropriate disclosure to the Board to avoid any conflict of interests. Besides, the nomination procedures and processes are required to be conducted in an objective manner in accordance with the laws of Bermuda, the Bye-laws as well as other applicable regulations.

The Company has adopted policy concerning diversity of Board members. Under such a policy, selection of the candidates to the Board is 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, culture, education background, professional knowledge and industry experience. The Company believes that a balanced and diversified board composition will help to stimulate new ideas and enhance the quality of the Group's decision making process. For the year ended 30 September 2019, the Company maintained an effective Board which comprised of members of different gender, professional background and industry experience. The Company's board diversity policy was consistently implemented.

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 2019.

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, 28 November 2019

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.