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

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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 2020

OPERATING RESULTS

The Board of Directors (the "Board") of Sun Hing Vision Group Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2020, 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 2020

	NOTES	Six months ended 30.9.2020 HK$'000 (unaudited)	30.9.2019 HK$'000 (unaudited)
Revenue			
Goods		**289,302**	489,341
Rental		**1,022**	1,474
Royalty		**716**	909
Total revenue	3	**291,040**	491,724
Cost of sales		**(252,559)**	(399,447)
Gross profit		**38,481**	92,277
Other income, gains and losses		**4,366**	(3,064)
Reversal (provision) of impairment losses on trade receivables, net		**4,677**	(480)
Selling and distribution costs		**(8,589)**	(15,080)
Administrative expenses		**(51,246)**	(78,737)
Share of loss of a joint venture		**(48)**	(441)
Finance costs		**(1,003)**	(1,227)
Loss before tax		**(13,362)**	(6,752)
Income tax credit (expense)	4	**1,354**	(1,643)
Loss for the period	5	**(12,008)**	(8,395)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**3,151**	(2,889)
Share of other comprehensive expense of a joint venture		**(2)**	(19)
		3,149	(2,908)
Total comprehensive expense for the period		**(8,859)**	(11,303)
(Loss) profit for the period attributable to:			
Owners of the Company		**(12,066)**	(8,592)
Non-controlling interests		**58**	197
		(12,008)	(8,395)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(8,983)**	(11,399)
Non-controlling interests		**124**	96
		(8,859)	(11,303)
Loss per share in HK cents			
Basic	7	**(4.59)**	(3.27)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2020

	NOTES	**30.9.2020** *HK$'000* **(unaudited)**	31.3.2020 *HK$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**168,884**	159,577
Right-of-use assets		**11,583**	13,882
Investment properties		**127,494**	129,579
Intangible assets		**50,580**	51,508
Interest in a joint venture		**–**	50
Deposit paid for acquisition of property, plant and equipment and right-of-use assets		**12,827**	16,592
Deferred tax assets		**4,693**	4,806
		376,061	375,994
CURRENT ASSETS			
Inventories		**112,444**	125,865
Trade and other receivables	8	**165,063**	218,842
Derivative financial instruments		**214**	7
Tax recoverable		**3,221**	3,227
Bank balances and cash		**347,088**	308,806
		628,030	656,747
CURRENT LIABILITIES			
Trade and other payables	9	**178,132**	187,173
Lease liabilities		**8,758**	10,196
Refund liabilities		**2,107**	2,660
Derivative financial instruments		**45**	382
Tax payable		**5,107**	7,038
Bank borrowings	10	**43,513**	44,544
		237,662	251,993
NET CURRENT ASSETS		**390,368**	404,754
TOTAL ASSETS LESS CURRENT LIABILITIES		**766,429**	780,748
CAPITAL AND RESERVES			
Share capital		**26,278**	26,278
Share premium and reserves		**719,824**	728,807
Equity attributable to owners of the Company		**746,102**	755,085
Non-controlling interests		**540**	416
		746,642	755,501
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,561**	6,251
Lease liabilities		**15,226**	18,996
		19,787	25,247
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**766,429**	780,748

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2020

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 additional 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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the HKICPA for the first time which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

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

In addition, the Group has early adopted the Amendment to HKFRS 16 "Covid-19 Related Rent Concessions".

Except as described below, the application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current 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.

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

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole. The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

Impacts on early application of Amendments to HKFRS 16 "Covid-19-Related Rent Concessions"

The Group has early applied the amendment for the first time in the current interim period. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profit at 1 April 2020. The Group has benefited from lease payments of one month on several leases in the People's Republic of China ("PRC"). The change in lease payments that resulted from rent concessions had no material impact to the profit or loss for the current interim period.

3. REVENUE AND SEGMENT INFORMATION

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 2020

	Eyewear products *HK$'000*	**Contact lens** *HK$'000*	**Others** *HK$'000* *(Note)*	**Elimination** *HK$'000*	**Consolidated** *HK$'000*
SEGMENT REVENUE					
External sales	**278,168**	**11,134**	**1,738**	**–**	**291,040**
Inter-segment sales	**–**	**–**	**1,709**	**(1,709)**	**–**
	278,168	**11,134**	**3,447**	**(1,709)**	**291,040**
Segment results	**(15,288)**	**300**	**179**	**–**	**(14,809)**
Unallocated other income, gains and losses					**4,575**
Central administration costs					**(2,077)**
Share of loss of a joint venture					**(48)**
Finance costs					**(1,003)**
Loss before tax					**(13,362)**

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)

Note: Included in others was royalty income from granting license of trademarks amounted to HK$2,425,000 (30 September 2019: HK$3,202,000). The related inter-segment sales is amounted to HK$1,709,000 (30 September 2019: HK$2,293,000).

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 (mainly including bank interest income, government grants in respect of Covid-19-related subsidies and gain on disposal of property, plant and equipment and others), central administration costs (mainly including directors' salaries), finance costs, and share of result of a joint venture.

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

4. INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	30.9.2020	30.9.2019
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Current year		
Hong Kong Profits Tax	**84**	450
PRC Enterprise Income Tax ("EIT")	**213**	1,878
United States Withholding tax	**215**	273
	512	2,601
Overprovision in respect of prior years		
PRC EIT	**(289)**	(958)
Deferred taxation		
Current period	**(1,577)**	–
	(1,354)	1,643

5. LOSS FOR THE PERIOD

	Six months ended	
	30.9.2020	30.9.2019
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting):		
Depreciation and amortisation		
– depreciation of property, plant and equipment	**8,106**	25,611
– depreciation of right-of-use assets	**2,299**	9,121
– amortisation of intangible assets (included in cost of sales)	**928**	928
– depreciation of investment properties	**2,339**	2,339
	13,672	37,999
Capitalised in inventories	**(3,664)**	(11,840)
	10,008	26,159

	Six months ended	
	30.9.2020	30.9.2019
	HK$'000	*HK$'000*
Employee benefits expenses	**125,096**	212,345
Capitalised in inventories	**(96,653)**	(165,942)
	28,443	46,403
Net foreign exchange losses	**753**	4,871
Fair value changes on derivative financial instruments	**544**	1,136
Gain on disposals of property, plant and equipment	**–**	(298)
Write-down of inventories	**4,475**	7,829
Finance costs:		
– interest on bank borrowings	**421**	526
– interest expenses on lease liabilities	**582**	701
	1,003	1,227
Bank interest income	**(1,179)**	(2,478)
Government grants in respect of Covid-19-related subsidies	**(3,065)**	–

6. DIVIDENDS

During the current period, no final dividend in respect of the year ended 31 March 2020 (six months ended 30 September 2019: final dividend in respect of the year ended 31 March 2019 of HK10.0 cents per share in total of HK$26,278,000) was declared and paid to owners of the Company.

No interim dividend for the six months ended 30 September 2020 has been proposed since the end of the reporting period (six months ended 30 September 2019: interim special dividend of HK1.5 cents per share).

7. LOSS PER SHARE

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

	Six months ended	
	30.9.2020	30.9.2019
	HK$'000	*HK$'000*
Loss		
Loss attributable to the owners of the Company for the purpose of basic loss per share	**(12,066)**	(8,592)
Number of shares		
Number of ordinary shares in issue for the purpose of basic loss per share	**262,778,286**	262,778,286

No diluted loss 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:

	30.9.2020	31.3.2020
	HK$'000	*HK$'000*
Trade receivable	**165,793**	225,048
Less: Allowance for credit loss from contracts of customers	**(12,995)**	(17,352)
	152,798	207,696
Prepayments	**2,919**	2,322
Deposits	**3,333**	3,559
Value-added tax and other receivables	**5,048**	4,765
Amounts due from entities controlled by non-controlling shareholders of a subsidiary *(Note)*	**965**	500
	165,063	218,842

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

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

	30.9.2020	31.3.2020
	HK$'000	*HK$'000*
Current	**131,250**	187,672
Overdue up to 90 days	**28,701**	25,258
Overdue more than 90 days	**5,842**	12,118
	165,793	225,048

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:

	30.9.2020	31.3.2020
	HK$'000	*HK$'000*
Trade payables		
Current and overdue up to 90 days	**93,853**	103,491
Overdue more than 90 days	**20,435**	8,961
	114,288	112,452
Accruals	**48,755**	59,291
Amount due to an entity controlled by non-controlling shareholders of a subsidiary *(Note)*	**–**	25
Value-added tax and other payables	**15,089**	15,405
	178,132	187,173

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

10. BANK BORROWINGS

The bank loan of the Group is secured by the Group's investment properties with a carrying amount of HK$121,028,000 (31 March 2020: HK$123,297,000).

INTERIM DIVIDEND

In light of the challenging business environment, the Directors do not recommend the payment of interim dividend for the six months ended 30 September 2020 (2019: interim special dividend of HK1.5 cents per share) in order to retain sufficient liquidity to prepare for the uncertainty ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review as a result of the global outbreak of the coronavirus, the business environment became unprecedentedly challenging as global business activities significantly slowed down due to the implementation of travel restrictions and social distancing measures by the United States and most of the countries in Europe and Asia. Given such a backdrop, the Group recorded a significant decrease in consolidated turnover by 40.81% to HK$291 million (2019: HK$492 million) for the six months ended 30 September 2020, which led to diseconomies of scale caused by such sudden drop of business volume. The Group's profitability also substantially declined and its gross profit margin dropped to 13.22% (2019: 18.77%) accordingly. Significant efforts were made to temporarily adjust the Group's scale of operation and cut down discretionary spending, but the effect of such actions was not able to completely offset the negative impact caused by the rapidly deteriorating environment. As a result, the loss attributable to the owners of the Company and the loss per share further increased to HK$12 million (2019: HK$9 million) and HK4.59 cents (2019: HK3.27 cents) respectively in comparison to those of the last review period.

The ODM Business

The Group's turnover from its original design manufacturing ("ODM") business decreased by 43.90% to HK$216 million (2019: HK$385 million), which accounted for 74.23% of the Group's total consolidated turnover. In the first quarter of 2020/21 fiscal year, the United States and certain European countries like Italy were shut down or subject to varying degrees of restrictions due to the spread of coronavirus to these regions. Most of the Group's customers in the affected regions deferred their shipments and product launch schedules, which significantly disrupted the Group's sales plan as well as its operation. Despite the slight rebound of sales order volume in the month before the end of the interim period, the overall demand for the Group's products during the entire review period remained weak in comparison to that of the pre-pandemic level. As a result, the Group's ODM turnover to Europe and the United States decreased by 46.04% to HK$109 million (2019: HK$202 million) and by 46.45% to HK$83 million (2019: HK$155 million) respectively. Europe and the United States continued to be the two largest markets of the Group's ODM business. They accounted for 50.46% and 38.43% of the Group's total ODM turnover respectively. In terms of product mix, plastic frames, metal frames and others contributed 51%, 48% and 1% (2019: 49%, 50% and 1%) of the Group's ODM turnover respectively, which was relatively stable in comparison to that of the last review period.

The Branded Eyewear Distribution Business

The Group's turnover from its branded eyewear distribution business decreased by 35.42% to HK$62 million (2019: HK$96 million), which accounted for 21.31% of the Group's total consolidated turnover. During the period under review, the economy of Asia, which is the largest market of the Group's branded eyewear distribution business, was hardly hit by the spread of coronavirus. Among the Asian countries, it was observed that market demand for eyewear products in China was the first to rebound due to the gradual removal of social distancing restrictions imposed by Chinese government since March 2020. However, the business volume for the Group's branded eyewear distribution business still could not return to the pre-pandemic level. In addition, many other Asian countries were still subject to different levels of health and safety control that impeded business activities during the review period. Asia accounted for 98.52% (2020: 97.92%) of the Group's total eyewear distribution turnover.

The Branded Contact Lens Business

For the six months ended 30 September 2020, the Group's turnover from its branded contact lens business increased by 37.50% to HK$11 million (2019: HK$8 million), which accounted for 3.78% of the Group's total consolidated turnover. Despite such rebound in business, the market demand for the Group's cosmetic contact lens was still weak due to their highly consumer discretionary nature and consumers' tendency to avoid unnecessary spending under such uncertain economic environment deeply disrupted by the outbreak of the coronavirus.

Other Businesses

For the six months ended 30 September 2020, the Group received a licensing income of HK$1 million (2019: HK$1 million) from an external party in connection with the trademark of Jill Stuart. In addition, it received a rental income of HK$1 million (2019: HK$1 million) from external parties for certain investment properties situated in Hong Kong.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a strong liquidity and financial position. It recorded a net cash inflow of HK$56 million from operations during the period under review. As at 30 September 2020, the Group held a cash and bank balance of HK$347 million. It also had an outstanding bank borrowing of approximately HK$44 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 2020 was 5.83%, which is considered to be healthy and reasonable in view of the Group's business nature. The bank borrowing of the Group was secured by the Group's investment properties situated in Hong Kong.

As at 30 September 2020, the net current assets and current ratio of the Group were approximately HK$390 million and 2.6:1 respectively. The total equity attributable to owners of the Company decreased to HK$746 million as at 30 September 2020 from HK$755 million as at 31 March 2020. Due to the general sluggish economic environment, collection of the Group's receivables slightly slowed down, and this caused the debtor turnover period to increase to 96 days from 89 days in the corresponding prior interim period. The Group believes that its receivables were still maintained at a healthy level and will further strengthen its credit control in order to reduce credit risk and maximize working capital. Due to the need to replenish the inventories in response to the stronger orders from customers in the third quarter of 2020/21 fiscal year, the Group's inventory turnover period increased to 81 days from 58 days in the corresponding prior interim period. The Group will closely monitor its inventory consumption and further streamline its material requisition plan so that it can improve the upcoming inventory turnover and manage its stock at an optimal level. 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.

In light of the challenging business environment, the Directors do not recommend the payment of interim dividend for the six months ended 30 September 2020. 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 ahead will continue to be tough and uncertain. At the time of writing this report, many countries are still being exposed to the risk of having a new wave of coronavirus outbreak. There is no guarantee that any vaccine, supported with mass immunization program, will be introduced in near future that can effectively control the spread of virus. It is expected that it will be a long road for the market to resume its growth momentum and let consumers rebuild their confidence on spending even if the virus can be later under control. Furthermore, the relationship between China and the United States, which is a key factor significantly affecting the pace of recovery of the global economy, is still tense. It is uncertain whether such relationship can improve after the recent presidential election in the United States. For the above reasons, although there are signs that orders from customers are stronger in the second half of the current fiscal year, the Directors still anticipate that the market demand for eyewear products in the future will be highly volatile and it takes time for the Group's business volume to be fully restored to the pre-pandemic level.

Due to the expectation that the challenging business environment may persist at least in the coming few quarters, the Group understands that it is important to preserve its financial strength. In this regard, measures will continue to be carried out to increase efficiency, reduce cost and improve liquidity. The Group will further manage its cost structure to reduce the level of fixed costs through projects like the outsource of non-core services, labour force optimization and production efficiency enhancement. Capital expenditures will be managed in a very prudent manner without compromising the needs for strategic investments in key areas. Although the project to set up a production facility in Vietnam is currently deferred due to the coronavirus outbreak, the Group will resume the project once the situation becomes more certain. Furthermore, the Group will continue to maintain a flexible operating capacity and supply chain, so that it can swiftly adjust its scale of operation in accordance with market demand. In addition, the Group's debt collection function and inventory management will be further strengthened to enhance working capital efficiency. The above measures will help the Group survive the highly challenging and volatile business landscape ahead.

The Group will continue to explore new business opportunities. E-commerce is proven to be a solid channel with strong potential growth even during the pandemic crisis. The Group will therefore spend resources to enhance its related infrastructure and collaborate with strategic partners to distribute its products online, on top of the brick-and-mortal stores, especially in China and emerging markets like India. The economic disruption caused by coronavirus outbreak has a profound impact on consumers' confidence on spending and their buying behavior. In response to the changing preferences of consumers, the Group will further enrich its product scope by introducing collections at more affordable price points that incorporate designs tailor-made for each important specific market segment.

Looking ahead, the business environment in the coming future will be full of challenges. We will carefully execute the plans and measures above to improve profitability, preserve financial strength and enhance our long term competitiveness. Despite the short-term pressure on profitability, we are confident that we can overcome the difficulties ahead and 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 2020 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. 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.

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 2020.

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, 27 November 2020

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.