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SUN HING VISION GROUP HOLDINGS LIMITED

新興光學集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 125)

RESULTS ANNOUNCEMENT FINANCIAL YEAR ENDED 31 MARCH 2023

The board (the “Board”) of directors (the “Directors”) of Sun Hing Vision Group Holdings Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2023 together with the comparative figures for last year as follow:

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

| | <i>NOTES</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Revenue | 3 | 704,914 | 876,741 |
| Cost of sales | | (595,701) | (717,990) |
| Gross profit | | 109,213 | 158,751 |
| Other income, gains and losses | 4 | 16,111 | 6,210 |
| Reversal of impairment losses on trade receivables, net | 5 | 3,569 | 3,036 |
| Impairment losses on property, plant and equipment | | (17,125) | – |
| Impairment losses on intangible assets | | (8,000) | – |
| Selling and distribution costs | | (30,517) | (32,686) |
| Administrative expenses | | (105,958) | (124,271) |
| Finance costs | 6 | (1,647) | (1,789) |
| (Loss) profit before tax | | (34,354) | 9,251 |
| Income tax credit (expense) | 7 | 3,796 | (596) |
| (Loss) profit for the year | 8 | (30,558) | 8,655 |
| Other comprehensive (expense) income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | (20,674) | 10,161 |
| Reclassification of cumulative translation reserve upon deregistration of a subsidiary | | – | (13) |
| | | (20,674) | 10,148 |
| Total comprehensive (expense) income for the year | | (51,232) | 18,803 |
| (Loss) profit for the year attributable to: | | | |
| Owners of the Company | | (30,558) | 9,091 |
| Non-controlling interests | | – | (436) |
| | | (30,558) | 8,655 |
| Total comprehensive (expense) income for the year attributable to: | | | |
| Owners of the Company | | (51,232) | 19,222 |
| Non-controlling interests | | – | (419) |
| | | (51,232) | 18,803 |
| | | <i>HK cents</i> | <i>HK cents</i> |
| (Loss) earnings per share | | | |
| Basic | 10 | (11.63) | 3.46 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2023

| | <i>NOTES</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 251,939 | 290,150 |
| Right-of-use assets | | 23,881 | 14,292 |
| Intangible assets | | 37,940 | 47,796 |
| Deposits paid for acquisition of property, plant and equipment and right-of-use assets | | 3,526 | 19,742 |
| Financial asset at fair value through profit or loss | | – | 1,625 |
| Interest in a joint venture | | 1 | – |
| Deferred tax assets | | 15,467 | 11,616 |
| | | 332,754 | 385,221 |
| CURRENT ASSETS | | | |
| Inventories | | 92,155 | 100,926 |
| Trade and other receivables | 11 | 191,314 | 226,862 |
| Derivative financial instruments | | 110 | 224 |
| Tax recoverable | | 71 | 3,058 |
| Cash and cash equivalents | | 328,760 | 324,084 |
| | | 612,410 | 655,154 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 161,582 | 184,937 |
| Lease liabilities | | 5,983 | 9,893 |
| Refund liabilities | | 2,321 | 2,077 |
| Derivative financial instruments | | 31 | 136 |
| Tax payable | | 4,381 | 5,048 |
| Bank borrowings | | 38,140 | 40,236 |
| | | 212,438 | 242,327 |
| NET CURRENT ASSETS | | 399,972 | 412,827 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 732,726 | 798,048 |
| CAPITAL AND RESERVES | | | |

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Share capital | 26,278 | 26,278 |
| Share premium and reserves | 696,091 | 755,207 |
| TOTAL EQUITY | 722,369 | 781,485 |
| NON-CURRENT LIABILITIES | | |
| Lease liabilities | 5,031 | 10,689 |
| Deferred tax liabilities | 5,326 | 5,874 |
| | 10,357 | 16,563 |
| TOTAL EQUITY AND NON-CURRENT LIABILITIES | 732,726 | 798,048 |

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

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

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

Basis of consolidation

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

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

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2022 for the preparation of the consolidated financial statements:

| | |
|-----------------------|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 |

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

3. REVENUE AND SEGMENT INFORMATION

Set out below is the disaggregation of revenue from contracts with customers and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

| | For the year ended 31 March 2023 | | |
|---------------------------------------|----------------------------------|--------------------|-------------------|
| | Eyewear products HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| Types of goods or services | | | |
| Eyewear products | 702,400 | – | 702,400 |
| Contact lens | – | 658 | 658 |
| Royalty income | – | 1,856 | 1,856 |
| | <hr/> | <hr/> | <hr/> |
| Revenue from contracts with customers | 702,400 | 2,514 | 704,914 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| | For the year ended 31 March 2022 | | |
| | Eyewear products HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| Types of goods or services | | | |
| Eyewear products | 866,429 | – | 866,429 |
| Contact lens | – | 8,648 | 8,648 |
| Royalty income | – | 1,664 | 1,664 |
| | <hr/> | <hr/> | <hr/> |
| Revenue from contracts with customers | 866,429 | 10,312 | 876,741 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Performance obligations for contract with customers

The Group manufactures and sells the eyewear products and 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 have a right to return/exchange for dissimilar products. The Group uses its accumulated historical experience to estimate the number of return/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 at a point in time when subsequent sale of licensing products from licensee occurs over the licensing period. The credit term is normally 30 days upon the end of a licensing reporting period.

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

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

Contracts for royalty income typically have a 3-years non-cancellable term in which the Group bills at a fixed rate for each 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 the relevant licensing agreement. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

The Group's operating segments, identified 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, are as follows:

| | |
|------------------|---|
| Eyewear products | – manufacturing and trading of eyewear products |
| Contact lens | – trading of contact lens products |
| Trademarks | – granting license of trademarks |

During the current year, contact lens and trademarks segments are aggregated under "All other segments" for reporting purpose as both segments do not meet any of quantitative thresholds for determining reportable segments for both years. Comparative information for the year ended 31 March 2022 has been restated.

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 year ended 31 March 2023

| | Eyewear products <i>HK\$'000</i> | All other segments <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|--|--|--------------------------------|---------------------------------|
| SEGMENT REVENUE | | | | |
| External sales | 702,400 | 2,514 | – | 704,914 |
| Inter-segment sales | – | 4,174 | (4,174) | – |
| | <u>702,400</u> | <u>6,688</u> | <u>(4,174)</u> | <u>704,914</u> |
| Segment results | <u>(33,219)</u> | <u>3,989</u> | <u>–</u> | <u>(29,230)</u> |
| Unallocated other income, gains and losses | | | | 6,789 |
| Central administration costs | | | | (10,266) |
| Finance costs | | | | <u>(1,647)</u> |
| Loss before tax | | | | <u>(34,354)</u> |

For the year ended 31 March 2022 (restated)

| | Eyewear products <i>HK\$'000</i> | All other segments <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|--|--|--------------------------------|---------------------------------|
| SEGMENT REVENUE | | | | |
| External sales | 866,429 | 10,312 | – | 876,741 |
| Inter-segment sales | – | 3,721 | (3,721) | – |
| | <u>866,429</u> | <u>14,033</u> | <u>(3,721)</u> | <u>876,741</u> |
| Segment results | <u>15,973</u> | <u>3,970</u> | <u>–</u> | 19,943 |
| Unallocated other income, gains and losses | | | | 2,945 |
| Central administration costs | | | | (11,848) |
| Finance costs | | | | <u>(1,789)</u> |
| Profit before tax | | | | <u>9,251</u> |

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, gain/loss on disposals of property, plant and equipment, fair value changes on financial asset at fair value through profit or loss (“FVTPL”), gain on disposal of a subsidiary and others), central administration costs (mainly including salaries for the Company’s directors) and finance costs.

No analysis of segment assets and liabilities is presented as they are not regularly reviewed by the CODM for the purposes of resource allocation and performance assessment.

Geographical information

The Group’s operations are mainly located in Hong Kong and the Guangdong Province in the People’s Republic of China (the “PRC”). The Group’s information about its non-current assets (excluding deferred tax assets and financial instruments) by geographical location of the assets and revenue from external customers analysed by the location of the customers are detailed below:

| | Non-current assets | |
|-------------------------------|---------------------------|----------|
| | As at 31 March | |
| | 2023 | 2022 |
| | HK\$’000 | HK\$’000 |
| Hong Kong | 167,367 | 192,950 |
| Guangdong Province in the PRC | 130,004 | 158,269 |
| Others | 19,916 | 20,761 |
| | 317,287 | 371,980 |

| | Revenue from | |
|---|----------------------------|----------|
| | external customers | |
| | Year ended 31 March | |
| | 2023 | 2022 |
| | HK\$’000 | HK\$’000 |
| Hong Kong and Macau | 42,510 | 51,854 |
| The PRC (excluding Hong Kong and Macau) | 63,977 | 93,251 |
| Japan | 29,777 | 48,187 |
| Italy | 287,766 | 306,540 |
| United States | 194,766 | 296,235 |
| Other countries | 86,118 | 80,674 |
| | 704,914 | 876,741 |

4. OTHER INCOME, GAINS AND LOSSES

| | Year ended 31 March | |
|---|---------------------|--------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Other income | | |
| – Bank interest income | 5,718 | 843 |
| – Sales of scrap materials | 456 | 787 |
| – Insurance claim | – | 234 |
| – Government grants | | |
| Covid-19-related subsidies (<i>Note i</i>) | 1,750 | – |
| Others (<i>Note ii</i>) | 2,211 | 2,555 |
| – Rental income from investment properties in the PRC (<i>Note iii</i>) | – | 92 |
| – Income from subleasing right-of-use assets to staff | 3,085 | – |
| – Others | 1,803 | 1,621 |
| | 15,023 | 6,132 |
| Other gains and losses | | |
| – Fair value changes on derivative financial instruments | (9) | 850 |
| – Fair value changes on financial asset at FVTPL | (1,625) | 65 |
| – Gain on disposal of a subsidiary | – | 445 |
| – Gain on early termination of lease | 38 | – |
| – Gain (loss) on disposals of property, plant and equipment | 893 | (29) |
| – Net foreign exchange gains (losses) | 1,791 | (1,253) |
| | 1,088 | 78 |
| | 16,111 | 6,210 |

Notes:

- (i) During the year ended 31 March 2023, the Group recognised government grants of HK\$1,750,000 in respect of Covid-19-related subsidies, which related to Employment Support Scheme provided by the Hong Kong government.
- (ii) Government subsidies mainly represents subsidies for participating in the local electricity saving scheme and employments related subsidies, which are credited to profit or loss upon receipt as no future related costs is expected to be incurred nor related to any assets.
- (iii) The amount represents rental income recognised by a PRC subsidiary of the Company that is not engaged in property rental business.

5. REVERSAL OF IMPAIRMENT LOSSES ON TRADE RECEIVABLES, NET

| | Year ended 31 March | |
|---------------------------------------|---------------------|--------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Net reversal of impairment losses on: | | |
| – Trade receivables | 3,569 | 3,036 |
| | 3,569 | 3,036 |

6. FINANCE COSTS

| | Year ended 31 March | |
|----------------------|---------------------|-----------------|
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest expense on: | | |
| – Bank borrowings | 863 | 585 |
| – Lease liabilities | 784 | 1,204 |
| | <u>1,647</u> | <u>1,789</u> |

7. INCOME TAX (CREDIT) EXPENSE

| | Year ended 31 March | |
|--|---------------------|-----------------|
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| The (credit) expense comprises: | | |
| Current tax | | |
| – Hong Kong Profits Tax | 66 | 108 |
| – PRC Enterprise Income Tax (“EIT”) | – | 158 |
| – United States Withholding Tax | 557 | 499 |
| | <u>623</u> | <u>765</u> |
| (Over)underprovision in respect of prior years | | |
| – Hong Kong Profits Tax | (20) | 45 |
| – PRC EIT | – | (158) |
| | <u>(20)</u> | <u>(113)</u> |
| Deferred taxation | | |
| – Current year | (4,399) | (56) |
| | <u>(3,796)</u> | <u>596</u> |

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, 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.

Under the Law of the 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 royalty income earned in the United States for both years.

8. (LOSS) PROFIT FOR THE YEAR

| | Year ended 31 March | |
|---|---------------------|----------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| (Loss) profit for the year has been arrived at after charging: | | |
| Auditor's remuneration | 1,500 | 1,700 |
| Cost of inventories recognised as expense (inclusive of allowance for inventories of HK\$6,527,000 (2022: HK\$575,000)) | 590,219 | 709,296 |
| Depreciation and amortisation | | |
| – depreciation of property, plant and equipment | 20,809 | 21,419 |
| – depreciation of investment property | – | 114 |
| – depreciation of right-of-use assets | 6,989 | 6,547 |
| – amortisation of intangible assets (included in cost of sales) | 1,856 | 1,856 |
| | <u>29,654</u> | <u>29,936</u> |
| Capitalised in inventories | (7,770) | (7,714) |
| | <u>21,884</u> | <u>22,222</u> |
| Staff costs | | |
| – directors' emoluments | 4,504 | 5,376 |
| – other staff costs, comprising mainly salaries | 270,357 | 316,764 |
| – retirement benefits scheme contribution excluding those of directors' | 35,984 | 39,073 |
| | <u>310,845</u> | <u>361,213</u> |
| Capitalised in inventories | (236,256) | (276,392) |
| | <u>74,589</u> | <u>84,821</u> |

9. DIVIDENDS

| | Year ended 31 March | |
|---|---------------------|--------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Dividends recognised as distribution during the year: | | |
| Special final, paid – HK\$1.5 cents paid for 2022 (2022: HK\$1.5 cents for 2021) | 3,942 | 3,942 |
| Special interim, paid – HK\$1.5 cents paid for 2023 (2022: HK\$1.5 cents for 2022) | 3,942 | 3,942 |
| | <u>7,884</u> | <u>7,884</u> |

Subsequent to the end of the reporting period, a final special dividend in respect of the year ended 31 March 2023 of HK1.5 cents (2022: final special dividend in respect of the year ended 31 March 2022 of HK1.5 cents) per ordinary share, in an aggregate amount of HK\$3,942,000 (2022: HK\$3,942,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

No final dividend in respect of the year ended 31 March 2023 has been proposed by the directors of the Company (2022: nil).

10. (LOSS) EARNINGS PER SHARE

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

| | Year ended 31 March | |
|---|---------------------|--------------------|
| | 2023 | 2022 |
| (Loss) earnings | | |
| (Loss) earnings attributable to owners of the Company for the purposes of basic (loss) earnings per share (<i>HK\$'000</i>) | <u>(30,558)</u> | <u>9,091</u> |
| Number of shares | | |
| Number of ordinary shares for the purposes of basic (loss) earnings per share | <u>262,778,286</u> | <u>262,778,286</u> |

Diluted (loss) earnings per share is not presented for the years ended 31 March 2023 and 2022 as there was no potential ordinary share outstanding during both years.

11. TRADE AND OTHER RECEIVABLES

| | As at 31 March | |
|---|-----------------|-----------------|
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade debtors from contracts with customers | 173,980 | 210,699 |
| Less: Allowance for credit losses | <u>(7,743)</u> | <u>(11,617)</u> |
| | 166,237 | 199,082 |
| Prepayments | 3,069 | 2,360 |
| Deposits | 3,503 | 4,618 |
| Value-added tax and other receivables | 16,649 | 19,172 |
| Right to return goods assets | <u>1,856</u> | <u>1,630</u> |
| | <u>191,314</u> | <u>226,862</u> |

The Group normally allows a credit period of 30 to 120 days to its customers. No interest is charged on the trade receivables. As at 1 April 2021, gross carrying amount of trade receivables from contracts with customers amounted to HK\$236,571,000.

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

| | As at 31 March | |
|---------------------------|-----------------------|-----------------|
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current | 146,397 | 193,864 |
| Overdue up to 90 days | 17,502 | 12,595 |
| Overdue more than 90 days | 10,081 | 4,240 |
| | <u>173,980</u> | <u>210,699</u> |

12. TRADE AND OTHER PAYABLES

The Group is normally granted a credit period of 90 to 120 days from its suppliers. The following is an aging analysis of trade payables based on payment due date at the end of the reporting period:

| | As at 31 March | |
|------------------------------------|-----------------------|-----------------|
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade payables | | |
| Current and overdue up to 90 days | 87,543 | 102,072 |
| Overdue more than 90 days | 6,466 | 9,120 |
| | <u>94,009</u> | <u>111,192</u> |
| Accruals | 54,811 | 59,478 |
| Value-added tax and other payables | 12,762 | 14,267 |
| | <u>161,582</u> | <u>184,937</u> |

DIVIDENDS

After considering the Group's profitability, liquidity, cash position and future business plans, the Directors resolved to recommend at the forthcoming annual general meeting a final special dividend of HK1.5 cents per share and no final dividend for the year ended 31 March 2023 (2022: final special dividend: HK1.5 cents; final dividend: nil) to the shareholders whose names appear in the register of members of the Company at the close of business on Wednesday, 30 August 2023. The final special dividend is expected to be paid on or about Wednesday, 13 September 2023. 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 August 2023 to Friday, 18 August 2023 (both days inclusive) and from Friday, 25 August 2023 to Wednesday, 30 August 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong ("Hong Kong Share Registrar") not later than 4:00 p.m. on Friday, 11 August 2023. In order to qualify for the proposed final special dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar not later than 4:00 p.m. on Thursday, 24 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The business environment was very challenging during the year under review. The demand for the Group's eyewear products was adversely affected by the global economic downturn and strict control measures for COVID-19 across mainland China. As a result, the Group's consolidated turnover decreased by 19.61% to HK\$705 million for the year ended 31 March 2023 (2022: HK\$877 million).

In comparison to the consolidated net profit attributable to owners of the Company of HK\$9 million in the preceding fiscal year, the Group recorded a net loss attributable to owners of the Company of HK\$31 million and basic loss per share of HK11.63 cents for the year ended 31 March 2023 (2022: basic earnings per share of HK3.46 cents) due to the following factors. Firstly, a non-cash impairment loss of HK\$25 million for identified long-lived assets was recorded upon assessment of the impacts of the tough and uncertain business environment on the Group's business for manufacturing and trading of eyewear products. Furthermore, the higher raw material prices caused by the global supply chain disruptions, and the lower efficiency brought about by the diseconomies of scale as a result of reduction in turnover also

led to decreased profitability of the Group. Accordingly, the Group's gross profit margin and net profit margin decreased to 15.49% (2022: 18.11%) and -4.33% (2022: 0.99%) respectively. Excluding the impairment loss for identified long-lived assets, the Group's loss attributable to owners of the Company would significantly narrow to approximately HK\$6 million during the year under review.

The ODM Business

The Group's turnover from its ODM business decreased by 23.68% to HK\$551 million (2022: HK\$722 million), which accounted for 78.16% of the Group's total consolidated turnover. The drop in revenue was mainly due to the weakened consumer confidence and buying power in Europe and the United States as a result of the high inflation rate and the continuous interest rate hikes, as well as the war between Russia and Ukraine. Customers in the regions became very cautious when making order placement decisions to the Group. Accordingly, the Group's ODM turnover to Europe and the United States decreased by 9.32% to HK\$321 million (2022: HK\$354 million) and by 34.59% to HK\$191 million (2022: HK\$292 million) respectively. Europe and the United States continued to be the two largest markets of the Group's ODM business, and they accounted for 58.26% and 34.66% of the Group's total ODM turnover respectively. In terms of product mix, plastic frames, metal frames and others contributed 64%, 35% and 1% (2022: 57%, 42% and 1%) of the Group's ODM turnover respectively.

The Branded Eyewear Distribution Business

The Group's turnover from its branded eyewear distribution business increased slightly by 4.86% to HK\$151 million (2022: HK\$144 million), which accounted for 21.42% of the Group's total consolidated turnover. During the year under review, our branded eyewear distribution business benefited from the economic rebound of certain Asian countries where the relevant social and travel restrictions were relaxed during 2022. However, mainland China, being the largest market for the Group's branded eyewear distribution business, was still implementing strict control over the COVID-19 pandemic during most of the time for the year under review. Lockdown and local government's closed-loop management across the region impaired the performance of the Group's branded eyewear distribution business and offset part of the growth. Asia continued to be the most important market of the Group's branded eyewear distribution business, it accounted for 98.01% (2022: 97.22%) of the Group's total distribution turnover.

Other Businesses

For the year ended 31 March 2023, the Group's turnover from its branded contact lens business amounted to HK\$1 million (2022: HK\$9 million). The Group also received a licensing income of HK\$2 million (2022: HK\$2 million) from an external party in connection with the trademark of Jill Stuart.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a strong liquidity and financial position. It recorded a net cash inflow of HK\$33 million from operations during the year under review. As at 31 March 2023, the Group held bank balances and cash of HK\$329 million. It also had outstanding bank borrowings of approximately HK\$38 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 31 March 2023 was 5.28%, which is considered to be healthy and reasonable in light of the Group's business nature. The bank borrowing of the Group was secured by certain Group's leasehold land and buildings situated in Hong Kong.

As at 31 March 2023, the net current assets and current ratio of the Group were approximately HK\$400 million and 2.88:1 respectively. The total equity attributable to owners of the Company decreased to HK\$722 million as at 31 March 2023 from HK\$781 million as at 31 March 2022. The Group's debtor turnover period and inventory turnover period remained relatively stable at 86 days and 56 days respectively (2022: 83 days and 51 days respectively) during the year under review. The Group believes that its receivables and inventories were managed at a healthy level and will continue to closely monitor the debt collection status and inventory level in order to reduce risk and maximize working capital. 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.

PROSPECTS

In light of the present complicated geopolitical and macroeconomic environments, it is foreseeable that the business environment will continue to be tough and uncertain in the period ahead. During 2022, the COVID-19 pandemic was still affecting the Group adversely throughout the year. Although most of the restrictions and control measures in relation to COVID-19 were lifted in China in early 2023, the rebound momentum in economic activities in the region is lower than expected. Besides, high inflation, high interest rates, as well as the war between Ukraine and Russia are expected to continue for a longer time. As a result, it is reasonable to expect that the market demand for eyewear products in the near future will continue to be highly volatile. In addition, input prices and operating costs for the Group are expected to remain at elevated levels for a period of time. The Group's future profitability will be adversely affected as a result of the above factors.

In response to the tough and uncertain business environment in the coming few quarters, the Group will continue to carry out various measures for overall efficiency enhancement. Improving production efficiency, strengthening budget control, streamlining organizational structures and optimizing suppliers' network and logistic flows are still the main focuses of the Group in the near future. Furthermore, the Group will continue to maintain a flexible operating capacity so that it can swiftly adjust its scale of operation in accordance with market demand and minimize the adverse impact of global supply chain disruptions that may have on the Group. In addition, the Group will continue its strategy of outsourcing non-core operating

processes to business partners and focusing on critical operations that are crucial in generating values. Investments in fixed assets will continue to be managed in a prudent manner, and the Group will keep investing in carefully selected assets that are strategically important for future growth. The plan of setting up a production plant in Vietnam is now underway so as to further strengthen the stability of our product supply.

The Group will continue to explore new sales channels and distribution partners for its branded eyewear distribution business. The Group's brand portfolio is being constantly reviewed and we will take advantage of any opportunity to enrich our portfolio with new brands carrying strong potential. During the year under review, the Group obtained the exclusive right to distribute eyewear products for the renowned brand "Fila" in China. The new product line under the reputable brand name of Fila has so far received very positive market feedbacks, and is expected to further expand the Group's footprint of its branded eyewear distribution business in China. Besides, in response to the rapidly changing consumers' behaviors and preferences, the Group will further enrich its product scope by introducing collections at more flexible price ranges, incorporate more design and tailor-made elements in our products and distribute them in more and also different sales channels.

Although the future business environment is still expected to be full of challenges, with our strength in product development, brand management and manufacturing in the eyewear industry, together with our strong financial status, we are confident that the Group will overcome the difficulties ahead, and continue to create long-term values for our various stakeholders as well as 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 enhancing the management of the Company as well as to preserve the interests of the shareholders as a whole. The Board has adopted the principles and code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year ended 31 March 2023, the Company has complied with all applicable code provisions in the CG Code which were effective during the period between 1 April 2022 and 31 March 2023, except for the deviation from Code C.2.1 of the CG Code as described below:

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

AUDIT COMMITTEE

An audit committee (the “Audit Committee”) has been established by the Company with written terms of reference to act in an advisory capacity and to make recommendations to the Board. The members of the Audit Committee comprised Mr. Chow Chi Fai (Chairman), Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy, all of whom are independent non-executive Directors. Mr. Chow Chi Fai and Mr. Wong Che Man, Eddy are both qualified certified public accountants and possess the qualifications as required under rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a member of the former or existing auditors of the Group. The Audit Committee has adopted the principles set out in the CG Code. The duties of the Audit Committee include review of the interim and annual reports of the Group, effectiveness of internal audit function as well as various auditing, financial reporting, risk management and internal control matters with the management and/or external auditor of the Company. The Group’s consolidated financial statements for the year ended 31 March 2023 have been reviewed by the Audit Committee and audited by the Company’s external auditor, Messrs. Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

A remuneration committee (the “Remuneration Committee”) was established by the Company with written terms of reference and comprised Mr. Lee Kwong Yiu (Chairman), Mr. Wong Che Man, Eddy and Mr. Chow Chi Fai, all of whom are independent non-executive Directors, as well as the human resources manager of the Group. The duties of the Remuneration Committee include, *inter alia*, making recommendations to the Board on the Company’s policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

NOMINATION COMMITTEE

A nomination committee (the “Nomination Committee”) was established by the Company with written terms of reference. The Nomination Committee comprised Mr. Wong Che Man, Eddy (Chairman), Mr. Lee Kwong Yiu and Mr. Chow Chi Fai, all of whom are independent non-executive Directors, as well as the human resources manager of the Group. The duties of the Nomination Committee include, *inter alia*, the review of the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy. Moreover, in performing the duties, the Nomination Committee shall ensure that the Board has the appropriate balance of skills, experience and diversity of perspective appropriate to the requirements of the Company’s business and that the Company makes relevant disclosure in accordance with the requirements of the Listing Rules.

The Company has adopted a 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) to assess the independence of independent non-executive Directors. 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 a 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 31 March 2023, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. The Company's board diversity policy was consistently implemented. As at the date of this announcement, the Board consist of one female and seven male Directors. The Nomination Committee considers the current composition of the board to be diverse and will continue to maintain a diverse Board. In particular, the Nomination Committee will pay attention to maintaining and strengthening the concern, selection, and development of high-potential female talents, and nominate and recommend competent and qualified candidates to the Board when necessary. Also, the Nomination Committee will endeavour to comply with the requirements of the diversity of the Board from time to time with effect from the date(s) stipulated by the Listing Rules and with reference to the board diversity policy of the Company which will be reviewed annually.

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. 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 year ended 31 March 2023.

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

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 28 June 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The annual report for the year ended 31 March 2023 will be dispatched to the shareholders of the Company and published on the websites of the Company and the Stock Exchange in due course.

APPRECIATION

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

On behalf of the Board
Ku Ngai Yung, Otis
Chairman

Hong Kong, 28 June 2023

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung, Mr. Chan Chi Sun, Ms. Ma Sau Ching and Mr. Liu Tao, and three independent non-executive directors, namely Mr. Chow Chi Fai, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy.