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

2016-17

INTERIM REPORT 中期報告

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Ku Ngai Yung, Otis – *Chairman*
Ku Ka Yung – *Deputy Chairman*
Chan Chi Sun
Ma Sau Ching

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Wa Kei, Roy
Lee Kwong Yiu
Wong Che Man, Eddy

COMPANY SECRETARY

Lee Kar Lun, Clarence

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER IN HONG KONG

King & Wood Mallesons

LEGAL ADVISER ON BERMUDA LAW

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1001C, 10th Floor, Sunbeam Centre
27 Shing Yip Street, Kwun Tong
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank
(Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
Citibank, N.A.

WEBSITE

www.sunhingoptical.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Although the global business environment continued to be difficult, the Group's financial performance remained relatively stable during the period under review. For the six months ended 30 September 2016, the Group's turnover slightly decreased by 1.01% to HK$528 million (2015: HK$533 million), and its profit attributable to the owners of the Company increased by 7.68% to HK$32 million (2015: HK$30 million). Basic earnings per share increased to HK12 cents (2015: HK11 cents).

The operating costs, especially wages, continued to increase in Southern China where the Group's production bases are located. However, the Group continued to improve its operating efficiency by carrying out various projects to streamline operation. Furthermore, the mild depreciation of Renminbi against the U.S. dollar during the period under review also alleviated part of the Group's cost pressure. As a result of the positive impact of the above factors, the Group was able to manage its gross profit margin and net profit margin at 23.41% (2015: 21.60%) and 6.00% (2015: 5.44%) respectively in spite of the challenging environment.

THE ODM BUSINESS

During the period under review, original design manufacturing ("ODM") business continued to be the largest source of the Group's revenue, and contributed 85% of the Group's total consolidated turnover. In comparison with the same period of the last fiscal year, the Group's total ODM turnover slightly decreased by 0.44% to HK$451 million (2015: HK$453 million). The market demand for eyewear was generally weak, and the Group's stable performance in such a volatile market was mainly due to its solid and consistent service levels in product development, delivery and quality, which formed a key component of its customers' global supply chains. In terms of geographical allocation, Europe and United States continued to be the two largest markets of the Group, and accounted for 59% and 39% (2015: 59% and 35%) of the Group's ODM turnover respectively. The Group's ODM turnover to Europe decreased by 1.49% to HK$264 million (2015: HK$268 million), while that to the United States increased by 8.75% to HK$174 million (2015: HK$160 million) for the six months ended 30 September 2016. Customers from the European countries suffered from the strong US dollar and became very cautious in stock replenishment. On the other hand, the economy of the United States showed a relatively better improvement. Stronger consumer confidence there helped to stimulate market demand, which in turn benefited the Group's ODM business in the United States. In terms of product mix, sales of plastic frames, metal frames and others accounted 54%, 45% and 1% (2015: 57%, 42% and 1%) of the Group's ODM turnover respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

THE BRANDED EYEWEAR DISTRIBUTION BUSINESS

For the six month ended 30 September 2016, the Group recorded a small decrease in branded eyewear distribution turnover by 3.75% to HK$77 million (2015: HK$80 million), which represented 15% of the Group's total consolidated turnover. Strong US dollar reduced the purchasing power of most of the Asian countries generally. Consumer confidence in certain Asian countries such as Japan and Korea remained weak, which adversely affected the order volume from these regions. Meanwhile, the political and social unrest in some emerging countries weakened market demand and caused hesitation for customers in stock replenishment in view of such uncertainty. Accordingly, Group's business with these countries were adversely affected. However, the Group recorded steady growth in its distribution turnover in China during the period, as a result of the Group's efforts in expanding distribution network there and enhancing the product offerings. The growth in China partly mitigated the negative impact from other regions. Asia continued to be the largest market of the Group. Within Asia, China and Japan were the top performing countries that contributed 47% and 18% of the Group's total distribution turnover respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a strong liquidity and financial position. As at 30 September 2016, it held a cash and bank balance of HK$385 million and did not have any bank borrowings. Net cash inflow from operation amounted to HK$91 million during the six months ended 30 September 2016. The Group will continue to cautiously manage its cashflow, without compromising the needs to invest in the strategically important assets and business opportunities that will drive the its long term growth.

Given the Group's strong cash position, the Directors have again resolved to declare an interim special dividend of HK1.5 cents per share on the top of the interim dividend of HK4.5 cents per share for the six months ended 30 September 2016. 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 uncertainty ahead and the distribution of earnings to the shareholders respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 30 September 2016, the net current assets and current ratio of the Group were approximately HK$615 million and 3.8:1 respectively. The total equity attributable to owners of the Company decreased to HK$909 million as at 30 September 2016 from HK$925 million as at 31 March 2016. The Group implements an effective control on credit exposure and inventory. Accordingly, debtor turnover period and inventory turnover period were managed at a level of 104 days and 58 days respectively. The Group adopted prudent but yet proactive approach in managing 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.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's transactions were conducted in the U.S. dollars, Hong Kong dollars and Renminbi. In addition, the majority of the Group's assets were also kept in these currencies. Other than the potential exposure to the gradual change of Renminbi, the Group's exposure to currency fluctuation was relatively limited. The Group closely monitors the foreign exchange exposure and uses foreign exchange forward contracts and/or other appropriate tools to control the exposure in connection with Renminbi.

HUMAN RESOURCES

The Group had a workforce of over 6,000 people as at 30 September 2016. The Group remunerates its employees based on their performance, years of service, work experience and the prevailing market situation. Bonuses and other incentive payments are granted on a discretionary basis based on individual performance, years of service and overall operating results of the Group. Other employee benefits include medical insurance scheme, mandatory provident fund scheme or other retirement benefit scheme, subsidised or free training programs and participation in the Company's share option scheme.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2016, other than those disclosed in the condensed consolidated financial statements, there were no charges on the Group's assets or any significant contingent liabilities.

CAPITAL COMMITMENTS

Details of the Group's capital commitments are set out in Note 12 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

PROSPECTS

Looking ahead to the second half of the 2016/17 fiscal year, the Directors believe that the global economy will continue to be volatile. Britain voted to leave the European Union in the Brexit referendum. This unprecedented event is expected to bring disorder to the European economy as well as the global economy. The uncertainty about the potential interest rate hikes for the U.S. dollar is anticipated to affect the market sentiment, and in turn undermine the market demand for most of the Asian and European countries since their purchasing power is sensitive to the movement of the U.S. dollar. The economy of China is also slowing down, which will have a profound impact on the global economy as China has been the major source of growth for many countries for the past decade.

To cope with the challenges ahead, the Group will continue to improve its operating efficiency by further automating its production processes, improving mould design, increasing labor productivity and optimizing material consumption. The Group will deepen relationship with its strategic customers and intensify integration with their supply chains. Meanwhile, the Directors expect that product demand from customers will be affected by the uncertain economic environment and become even more volatile in the future. The Group will therefore introduce measures to shorten its production lead-time and continue to maintain a flexible production capacity so that it can take advantage of the business opportunities as they may arise as a result of market change, industry business cycle and other seasonal factors.

For the distribution business, the Group will further explore new distribution channels. Product variety will be widened by incorporating innovative elements to the products, introducing different price segments for different product collections and adopting unique design for products which are tailor-made for specific markets. The Group will continue to optimize its brand portfolio and seek new licensing opportunities. During the last fiscal year, the Group obtained the worldwide exclusive right to manufacture and distribute eyewear products for the reputable brand "Agnes b.". The first collection of "Agnes b." will be launched in the second half of the current fiscal year. Taking this opportunity, the Directors are also pleased to announce that the Group has obtained the exclusive right to distribute in China, Hong Kong and Macau the eyewear products for another reputable brand "Bally". These two new brands are expected to provide the Group with new business opportunities and will contribute to the Group's future growth.

We anticipate that the business environment ahead will be full of challenges. Levering on our strength and competence, we are confident that we can overcome such challenges, continue to create long-term value for our shareholders and deliver the objective to achieve sustainable growth in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 the code provisions set out in the Corporate Governance Code (the "CG Code") and the Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2016 have been reviewed by the audit committee together with the Company's external auditor Deloitte Touche Tohmatsu.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard under the Model Code. Having made specific enquiry of all directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 September 2016.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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, 25 November 2016

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF SUN HING VISION GROUP HOLDINGS LIMITED
新興光學集團控股有限公司
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sun Hing Vision Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 11 to 23, which comprise the condensed consolidated statement of financial position as of 30 September 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2016

	NOTES	**Six months ended** **30.9.2016** **HK$'000** **(unaudited)**	30.9.2015 HK$'000 (unaudited) (restated)
Revenue		**527,607**	532,970
Cost of sales		**(404,081)**	(417,836)
Gross profit		**123,526**	115,134
Bank interest income		**921**	817
Other income, gains and losses		**(2,212)**	(2,646)
Selling and distribution costs		**(14,655)**	(12,750)
Administrative expenses		**(71,038)**	(68,334)
Profit before tax		**36,542**	32,221
Income tax expense	4	**(4,878)**	(3,245)
Profit for the period	5	**31,664**	28,976
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(2,502)**	(1,630)
Total comprehensive income for the period		**29,162**	27,346
Profit (loss) for the period attributable to:			
Owners of the Company		**31,860**	29,589
Non-controlling interests		**(196)**	(613)
		31,664	28,976
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**29,395**	27,989
Non-controlling interests		**(233)**	(643)
		29,162	27,346
Earnings per share			
Basic	7	**HK12 cents**	HK11 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2016

	NOTES	**30.9.2016 HK$'000 (unaudited)**	31.3.2016 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**287,956**	293,586
Prepaid lease payments		**3,176**	3,223
Deposit paid for acquisition of property, plant and equipment		**3,170**	2,393
Deferred tax assets		**555**	555
		294,857	299,757
CURRENT ASSETS			
Inventories		**128,942**	132,569
Trade and other receivables	9	**319,201**	331,933
Prepaid lease payments		**91**	91
Derivative financial instruments	15	**72**	194
Tax recoverable		**75**	75
Bank balances and cash		**385,374**	360,585
		833,755	825,447
CURRENT LIABILITIES			
Trade and other payables	10	**205,935**	189,693
Derivative financial instruments	15	**13**	–
Tax payable		**12,526**	9,863
		218,474	199,556
NET CURRENT ASSETS		**615,281**	625,891
		910,138	925,648
CAPITAL AND RESERVES			
Share capital	11	**26,278**	26,278
Share premium and reserves		**883,207**	898,484
Equity attributable to owners of the Company		**909,485**	924,762
Non-controlling interests		**(30)**	203
		909,455	924,965
NON-CURRENT LIABILITY			
Deferred tax liabilities		**683**	683
		910,138	925,648

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Share reserve HK$'000 (Note)	Translation reserve HK$'000	Property revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2015									
As previously reported	26,278	78,945	18,644	(38)	20,752	812,652	957,233	1,112	958,345
Effect of changes in accounting policies	–	–	–	–	(20,752)	(885)	(21,637)	–	(21,637)
As restated	26,278	78,945	18,644	(38)	–	811,767	935,596	1,112	936,708
Profit for the period (restated)	–	–	–	–	–	29,589	29,589	(613)	28,976
Other comprehensive expense for the period	–	–	–	(1,600)	–	–	(1,600)	(30)	(1,630)
Total comprehensive income (expense) for the period (restated)	–	–	–	(1,600)	–	29,589	27,989	(643)	27,346
Dividends recognised as distribution (note 6)	–	–	–	–	–	(49,928)	(49,928)	–	(49,928)
At 30 September 2015 (unaudited and restated)	26,278	78,945	18,644	(1,638)	–	791,428	913,657	469	914,126
At 1 April 2016 (audited)	26,278	78,945	18,644	(1,932)	–	802,827	924,762	203	924,965
Profit for the period	–	–	–	–	–	31,860	31,860	(196)	31,664
Other comprehensive expense for the period	–	–	–	(2,465)	–	–	(2,465)	(37)	(2,502)
Total comprehensive income (expense) for the period	–	–	–	(2,465)	–	31,860	29,395	(233)	29,162
Dividends recognised as distribution (note 6)	–	–	–	–	–	(44,672)	(44,672)	–	(44,672)
At 30 September 2016 (unaudited)	26,278	78,945	18,644	(4,397)	–	790,015	909,485	(30)	909,455

Note: Special reserve of the Group represents the difference between the aggregate amount of the nominal value of shares, the share premium and the reserves of subsidiaries acquired and the nominal amount of the shares issued by the Company pursuant to a group reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2016

	Six months ended	
	30.9.2016	30.9.2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**90,716**	83,453
Purchase of property, plant and equipment	**(20,599)**	(19,389)
Deposit paid for acquisition of property, plant and equipment	**(1,321)**	(6,251)
Others	**1,009**	1,245
Net cash used in investing activities	**(20,911)**	(24,395)
Cash used in a financing activity – dividends paid	**(44,672)**	(49,928)
Net increase in cash and cash equivalents	**25,133**	9,130
Cash and cash equivalents at beginning of the period	**360,585**	379,142
Effect of foreign exchange rate changes	**(344)**	(466)
Cash and cash equivalents at end of the period, representing bank balances and cash	**385,374**	387,806

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements 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").

2A. 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, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the six months ended 30 September 2016

2B. CHANGE IN ACCOUNTING POLICIES

During the year ended 31 March 2016, the Group changed its accounting policy in respect of its leasehold land and buildings from the revaluation model to the cost model. The changes in accounting policies have been accounted for retrospectively and the relevant comparative figures have been restated.

Details of the effects of the changes in accounting policies as described above are disclosed in note 2B to the Group's consolidated financial statements for the year ended 31 March 2016. The effects on the results for the preceding interim periods by line items presented in the condensed consolidated statement of profit or loss or other comprehensive income are as follows:

	Six months ended 30.9.2015 HK$'000
Decrease in administrative expenses	224
Decrease in income tax expenses	4
Increase in profit and total comprehensive income for the period attributable to owners of the Company	228
Increase in earnings per share attributable to owners of the Company – Basic (HK cents)	0.09

3. SEGMENTAL INFORMATION

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the six months ended 30 September 2016

4. INCOME TAX EXPENSE

	Six months ended **30.9.2016** **HK$'000**	30.9.2015 HK$'000 (restated)
The charge comprises:		
Current year		
Hong Kong Profits Tax	**4,896**	6,344
People's Republic of China ("PRC") Enterprise Income Tax	**815**	100
	5,711	6,444
Overprovision in prior years		
PRC Enterprise Income Tax	**(833)**	(3,199)
	4,878	3,245

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

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the six months ended 30 September 2016

5. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2016	30.9.2015
	HK$'000	HK$'000
		(restated)
Profit for the period has been arrived at after charging (crediting):		
Impairment losses recognised (reversed) on trade receivables, net	**241**	(246)
Depreciation of property, plant and equipment	**25,724**	25,126
Loss (gain) on disposals of property, plant and equipment	**239**	(137)
Employee benefits expenses	**192,390**	204,575
Net foreign exchange losses	**2,031**	834
Fair value changes on derivative financial instruments	**135**	2,085
Release of prepaid lease payments	**46**	46
Write-down of inventories	**1,047**	19,916

6. DIVIDENDS

During the period, a final dividend in respect of the year ended 31 March 2016 of HK10.0 cents per share and a special dividend of HK7.0 cents per share amounting to approximately HK$44,672,000 in total (six months ended 30 September 2015: final dividend in respect of the year ended 31 March 2015 of HK10.0 cents per share and a special dividend of HK9.0 cents per share amounting to approximately HK$49,928,000 in total) were paid to shareholders.

Subsequent to 30 September 2016, the directors determined that an interim dividend of HK4.5 cents per share and a special dividend of HK1.5 cents per share in respect of the year ending 31 March 2017 (2015: an interim dividend of HK4.5 cents per share and a special dividend of HK1.0 cents per share in respect of the year ended 31 March 2016 amounting to approximately HK$14,453,000 in total) will be paid to the shareholders of the Company whose names appear in the Register of Members on 23 December 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the six months ended 30 September 2016

7. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2016	30.9.2015
	HK$'000	HK$'000
		(restated)
Earnings		
Earnings attributable to the owners of the Company for the purpose of basic earnings per share	**31,860**	29,589
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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$21,143,000 (six months ended 30 September 2015: HK$19,389,000) on acquisition of property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the six months ended 30 September 2016

9. TRADE AND OTHER RECEIVABLES

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

	30.9.2016	31.3.2016
	HK$'000	HK$'000
Trade receivables		
Current	**280,722**	294,799
Overdue up to 90 days	**13,607**	15,349
Overdue more than 90 days	**6,604**	6,097
	300,933	316,245
Prepayments	**14,311**	9,979
Deposits	**3,011**	3,355
Other receivables	**677**	1,645
Amount due from entities controlled by non-controlling shareholder of a subsidiary (Note)	**269**	637
Amount due from a non-controlling shareholder of a subsidiary (Note)	**–**	72
Trade and other receivables	**319,201**	331,933

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

10. TRADE AND OTHER PAYABLES

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

	30.9.2016	31.3.2016
	HK$'000	HK$'000
Trade payables		
Current and overdue up to 90 days	**107,865**	97,983
Overdue more than 90 days	**15,661**	9,015
	123,526	106,998
Accruals	**67,124**	68,002
Amount due to entities controlled by non-controlling shareholder of a subsidiary (Note)	**199**	397
Other payables	**15,086**	14,296
Trade and other payables	**205,935**	189,693

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the six months ended 30 September 2016

11. SHARE CAPITAL

	Number of shares	Nominal amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2015, 30 September 2015, 31 March 2016 and 30 September 2016	500,000,000	50,000
Issued and fully paid:		
At 1 April 2015, 30 September 2015, 31 March 2016 and 30 September 2016	262,778,286	26,278

12. CAPITAL AND OTHER COMMITMENTS

	30.9.2016 HK$'000	31.3.2016 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of plant and machinery	**3,036**	2,119
– Factory under construction or renovation	**1,570**	5,502
	4,606	7,621
Commitments contracted for but not provided in the consolidated financial statements in respect of license fee for brandnames:		
Within one year	**9,743**	9,025
In the second to fifth year inclusive	**13,003**	13,536
Over five years	**302**	–
	23,048	22,561
	27,654	30,182

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the six months ended 30 September 2016

13. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in the condensed consolidated financial statements, a management fee of approximately HK$18,000 (six months ended 30 September 2015: HK$188,000) was paid by the Group to an entity controlled by non-controlling interests during the current period ended 30 September 2016.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management in respect of the period is as follows:

	Six months ended	
	30.9.2016	30.9.2015
	HK$'000	HK$'000
Short-term benefits	**2,757**	3,075

The remuneration of directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

14. SHARE OPTIONS

Pursuant to a resolution passed on 6 September 2004, a share option scheme (the "2004 Share Option Scheme") was adopted in order to comply with the amendments to Chapter 17 of the Listing Rules in relation to share option schemes.

Pursuant to another resolution passed on 22 August 2014, the 2004 Share Option Scheme was terminated and another share option scheme (the "2014 Share Option Scheme") was adopted, primarily for providing incentives to eligible employees. No share options have been granted, exercised, cancelled or lapsed under both of the 2004 Share Option Scheme and the 2014 Share Option Scheme since their adoption.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the six months ended 30 September 2016

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30.9.2016	Fair value as at 31.3.2016	Fair value hierarchy	Valuation techniques and key inputs
Derivative financial instruments	Assets – HK$72,000 Liabilities – HK$13,000	Assets – HK$194,000	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates.

There were no transfers into and out of Level 2 in the current and prior periods.

Except the above financial assets and financial liabilities that are measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values at the end of the reporting period.

OTHER INFORMATION

INTERIM DIVIDEND AND INTERIM SPECIAL DIVIDEND

The Directors have resolved to declare an interim dividend of HK4.5 cents per share and an interim special dividend of HK1.5 cents per share for the six months ended 30 September 2016 (2015: HK4.5 cents and HK1.0 cent). The interim dividend and interim special dividend will be payable on or about 11 January 2017 to the shareholders whose names appear on the register of members of the Company at the close of trading on 23 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 December 2016 to 23 December 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend and interim special dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on 19 December 2016.

SHARE OPTIONS

Pursuant to a resolution passed on 6 September 2004, the Company's share option scheme adopted on 4 May 1999 (the "Old Share Option Scheme") was terminated and a share option scheme (the "2004 Share Option Scheme") was adopted in order to comply with the amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in relation to share option schemes.

Pursuant to another resolution passed on 22 August 2014, the 2004 Share Option Scheme was terminated and another share option scheme (the "2014 Share Option Scheme") was adopted.

During the six months ended 30 September 2016 and as at 30 September 2016, there was no share in respect of which share options had been granted and remained outstanding under the Old Share Option Scheme and the 2004 Share Option Scheme. No further share options can be granted upon termination of the Old Share Option Scheme and the 2004 Share Option Scheme.

Under the 2014 Share Option Scheme, the maximum number of shares available for issue is 10% of the issued share capital of the Company. No share options have been granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme since its adoption.

OTHER INFORMATION (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2016, the interests and short positions of the directors and chief executives of the Company, and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

1. SHARES IN THE COMPANY (LONG POSITIONS)

	Number of ordinary shares held			
Name of Directors	**Personal interest**	**Other interest**	**Total**	**Percentage of issued share capital of the Company**
Ku Ngai Yung, Otis	–	144,833,828 (Note)	144,833,828	55.12%
Ku Ka Yung	–	144,833,828 (Note)	144,833,828	55.12%
Chan Chi Sun	1,526,000	–	1,526,000	0.58%
Ma Sau Ching	350,000	–	350,000	0.13%

Note: 144,833,828 ordinary shares of the Company were held by United Vision International Limited, which is ultimately and wholly-owned by The Vision Trust, a discretionary trust settled by Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung, the discretionary objects of which include Mr. Ku Ngai Yung, Otis and his spouse, Mr. Ku Ka Yung and his spouse,and their respective children who are under the age 18.

OTHER INFORMATION (Continued)

2. UNDERLYING SHARES IN THE COMPANY (SHARE OPTIONS)

Details of the share options held by the Directors and chief executives of the Company are shown in the section under the heading "Share Options".

Save as disclosed above, as at 30 September 2016, none of the Directors, chief executives, nor their associates, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS UNDER THE SFO

As at 30 September 2016, the following parties (other than those disclosed under the headings "Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures" and "Share Options" above) were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company which is so far as known to any Director or chief executive of the Company.

Name	Number of ordinary shares held	Percentage of the issued share capital of the Company
Substantial Shareholders		
United Vision International Limited (Note 1)	144,833,828	55.12%
Marshvale Investments Limited (Note 1)	144,833,828	55.12%
HSBC International Trustee Limited (Notes 1 & 2)	144,833,828	55.12%
Ku Ling Wah, Phyllis (Notes 1, 2 & 3)	144,833,828	55.12%

OTHER INFORMATION (Continued)

Name	Number of ordinary shares held	Percentage of the issued share capital of the Company
Other Persons		
FMR LLC (Note 4)	24,192,000	9.21%
Webb David Michael (Notes 5 & 6)	26,132,000	9.94%
Preferable Situation Assets Limited (Note 6)	18,443,000	7.02%

Notes:

1. As at 30 September 2016, United Vision International Limited ("UVI") is wholly-owned by Marshvale Investments Limited ("Marshvale"). By virtue of UVI's interests in the Company, Marshvale is deemed to be interested in 144,833,828 shares of the Company under the SFO. Marshvale is wholly-owned by HSBC International Trustee Limited ("HSBC Trustee"). By virtue of Marshvale's indirect interests in the Company, HSBC Trustee is deemed to be interested in 144,833,828 shares of the Company under the SFO. Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung are directors of UVI.

2. HSBC Trustee is the trustee of The Vision Trust, the discretionary trust settled by Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung mentioned above. 144,833,828 shares of the Company were held indirectly by HSBC Trustee through UVI as mentioned in note 1 above.

3. Ms. Ku Ling Wah, Phyllis (sister of Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung) is one of the discretionary objects of The Vision Trust, the discretionary trust settled by Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung mentioned above. As at 30 September 2016, The Vision Trust ultimately and wholly owned UVI, which held 144,833,828 shares of the Company.

4. FMR LLC is an investment manager. As at the date of filing the corporate substantial shareholder notice on 22 January 2010, 22,192,000 shares of the Company were indirectly held by Fidelity Management & Research Company, which is wholly owned by FMR LLC. Whereas 2,000,000 shares of the Company were indirectly held by Fidelity Management Trust Company and Pyramis Global Advisors LLC, which are wholly owned by FMR LLC.

OTHER INFORMATION (Continued)

5. According to an individual substantial shareholder notice filed by David Michael Webb on 15 January 2016, as at 11 January 2016 (i.e. the date of the relevant event as set out in the individual substantial shareholder notice filed on 15 January 2016), of the 26,132,000 shares of the Company held by David Michael Webb, 7,480,000 shares of the Company were held directly by him, while 18,652,000 shares of the Company were held through his wholly-owned company, Preferable Situation Assets Limited. By virtue of Preferable Situation Assets Limited's interests in the Company, David Michael Webb is deemed to be interested in the same 18,652,000 shares of the Company held by Preferable Situation Assets Limited under the SFO. (Please also see note 6 below).

6. According to a corporate substantial shareholder notice filed by Preferable Situation Assets Limited on 18 January 2011, as at 14 January 2011 (i.e. the date of the relevant event as set out in the corporate substantial shareholder notice filed on 18 January 2011), Preferable Situation Assets Limited, which is wholly owned by David Michael Webb, held 18,443,000 shares of the Company. By virtue of Preferable Situation Assets Limited's interest in the Company, David Michael Webb is deemed to be interested in the same 18,443,000 shares of the Company held by Preferable Situation Assets Limited under the SFO.

All the interests stated above represent long position. Save as disclosed above, as at 30 September 2016, no other person had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder of the Company.

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