Interim Report 2019-20

中報

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

Stock Code 股份代號：125

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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.
Chong Hing Bank Limited

WEBSITE

www.sunhingoptical.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

THE ODM BUSINESS

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

MANAGEMENT DISCUSSION AND ANALYSIS

THE BRANDED EYEWEAR DISTRIBUTION BUSINESS

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

THE BRANDED CONTACT LENS BUSINESS

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

OTHER BUSINESSES

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

LIQUIDITY AND CAPITAL RESOURCES

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

As at 30 September 2019, the net current assets and current ratio of the Group were approximately HK$433 million and 2.6:1 respectively. The total equity attributable to owners of the Company decreased to HK$916 million as at 30 September 2019 from HK$953 million as at 31 March 2019 after the payment of the final dividend for the preceding fiscal year. The Group carefully monitored its receivable and inventory. Accordingly, debtor turnover period and inventory turnover period were managed at a level of 89 days and 58 days respectively. The Directors are confident that the financial position of the Group will remain strong, and the Group has sufficient liquidity and financial resources to meet its present commitments and future business needs.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the significant decline of the Group's profitability in the extremely challenging business environment, given the Group's strong liquidity and solid cash position, the Directors resolved to declare an interim special dividend of HK1.5 cents per share for the six months ended 30 September 2019. The Directors will continue to monitor the dividend policy closely to ensure that an optimal balance can be achieved between the retention of sufficient liquidity in the Group to prepare for the future development ahead and the distribution of earnings to the shareholders respectively.

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 about 5,000 people as at 30 September 2019. 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

Details of the charges on the Group's assets are set out in Note 11 to the condensed consolidated financial statements. As at 30 September 2019, there were no significant contingent liabilities other than those disclosed in the condensed consolidated financial statements.

CAPITAL COMMITMENTS

Details of the Group's capital commitments are set out in Note 13 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The business environment is expected to be very challenging in the coming future. The tariff imposed by the government of the United States on Chinese eyewear products has just come to effect in September 2019. The Directors anticipate that the new tariff is likely to adversely and directly affect the sales orders involving shipments to the United States in the second half of current fiscal year. Businesses with the European customers will also be indirectly affected through dampened consumer sentiment and increased business uncertainty as a result. Customers from the United States are expected to become even more conscious on product pricing in view of the additional tariff costs. In addition, the Group foresees that the economy of Asia may further slowdown. This may hinder the development of the Group's eyewear distribution business in Asia, which is now an important driver for the Group's sales growth.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors believe that the performance of its contact lens business will continue to be highly volatile due to its highly fashion oriented and consumer discretionary nature. The Group will closely monitor the performance of the contact lens business and will take necessary measures to ensure the healthy development of this new business.

The current business environment is extremely challenging and the Group expects that such an unfavorable situation will persist until the global economy resumes its growth momentum after the several existing political and economical issues such as the trade dispute are resolved. To weather this difficult environment, the Group will carefully execute the measures as mentioned above. In the meantime, we will retain sufficient financial resources to prepare for any uncertainty ahead and to grasp the business opportunities that may emerge. Levering on our vision and financial strength, despite the short-term pressure on profitability, we are confident that we can continue to create long-term value for our shareholders and deliver the objective to achieve sustainable growth in the long run.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance with a view to enhance the management of the Company as well as to preserve the interests of the shareholders as a whole. The Board has adopted and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") and the Corporate Governance Report contained in Appendix 14 of the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE

An audit committee has been established by the Company with written terms of reference to act in an advisory capacity and to make recommendations to the Board. The members of the audit committee comprise the three independent non-executive directors of the Company, who are Mr. Lo Wa Kei, Roy (Chairman), Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy. Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy are both qualified certified public accountants and possess the qualifications as required under rule 3.21 of the Listing Rules. None of the members of the audit committee is a member of the former or existing auditors of the Group. The audit committee has adopted the principles set out in the CG Code. The duties of the audit committee include review of the interim and annual reports of the Group as well as various auditing, financial reporting, internal control and risk management matters with the management and/or external auditor of the Company. The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2019 have been reviewed by the audit committee together with the Company's external auditor Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Company has adopted policy concerning diversity of Board members. Under such a policy, selection of the candidates to the Board is based on the Company's business model and specific needs with reference to a range of diversity perspectives, including but not limited to gender, age, language, culture, education background, professional knowledge and industry experience. The Company believes that a balanced and diversified board composition will help to stimulate new ideas and enhance the quality of the Group's decision making process. For the six months ended 30 September 2019, the Company maintained an effective Board which comprised of members of different gender, professional background and industry experience. The Company's board diversity policy was consistently implemented.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard under the Model Code. Having made specific enquiry of all directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 September 2019.

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

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

APPRECIATION

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

On behalf of the Board
Ku Ngai Yung, Otis
Chairman

Hong Kong, 28 November 2019

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 12 to 41, which comprise the condensed consolidated statement of financial position as of 30 September 2019 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 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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
28 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2019

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2019

		Six months ended	
		30.9.2019	30.9.2018
		HK$'000	HK$'000
	NOTES	**(unaudited)**	(unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		**(8,592)**	44,583
Non-controlling interests		**197**	138
		(8,395)	44,721
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(11,399)**	36,010
Non-controlling interests		**96**	60
		(11,303)	36,070
(Loss) earnings per share			
Basic	7	**(HK3 cents)**	HK17 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2019

	NOTES	**30.9.2019 HK$'000 (unaudited)**	31.3.2019 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**279,651**	281,577
Right-of-use assets	8	**39,735**	–
Prepaid lease payments		**–**	2,950
Investment properties	8	**131,957**	134,701
Intangible assets		**52,436**	53,364
Interest in a joint venture		**534**	994
Deposit paid for acquisition of property, plant and equipment	8	**4,573**	5,036
Deferred tax assets		**147**	147
		509,033	478,769
CURRENT ASSETS			
Inventories		**126,426**	115,602
Trade and other receivables	9	**249,791**	256,457
Prepaid lease payments		**–**	91
Derivative financial instruments	16	**49**	325
Tax recoverable		**3,271**	3,283
Bank balances and cash		**323,693**	358,768
		703,230	734,526
CURRENT LIABILITIES			
Trade and other payables	10	**200,064**	199,677
Refund liabilities		**3,236**	4,056
Derivative financial instruments	16	**1,012**	152
Lease liabilities		**13,606**	–
Tax payable		**6,720**	6,319
Bank borrowings	11	**45,536**	46,508
		270,174	256,712
NET CURRENT ASSETS		**433,056**	477,814
		942,089	956,583

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2019

	NOTES	**30.9.2019 HK$'000 (unaudited)**	31.3.2019 HK$'000 (audited)
CAPITAL AND RESERVES			
Share capital	12	**26,278**	26,278
Share premium and reserves		**889,462**	927,139
Equity attributable to owners of the Company		**915,740**	953,417
Non-controlling interests		**528**	432
		916,268	953,849
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,734**	2,734
Lease liabilities		**23,087**	–
		25,821	2,734
		942,089	956,583

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2019

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000 (Note)	**Translation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 April 2018 (audited)	26,278	78,945	18,644	2,299	808,101	934,267	79	934,346
Profit for the period	–	–	–	–	44,583	44,583	138	44,721
Exchange difference arising on translation of foreign operations	–	–	–	(8,550)	–	(8,550)	(78)	(8,628)
Share of other comprehensive expense of a joint venture	–	–	–	(23)	–	(23)	–	(23)
Total comprehensive (expense) income for the period	–	–	–	(8,573)	44,583	36,010	60	36,070
Dividends recognised as distribution (note 6)	–	–	–	–	(31,534)	(31,534)	–	(31,534)
At 30 September 2018 (unaudited)	26,278	78,945	18,644	(6,274)	821,150	938,743	139	938,882
At 1 April 2019 (audited)	**26,278**	**78,945**	**18,644**	**(3,374)**	**832,924**	**953,417**	**432**	**953,849**
(Loss) profit for the period	**–**	**–**	**–**	**–**	**(8,592)**	**(8,592)**	**197**	**(8,395)**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**(2,788)**	**–**	**(2,788)**	**(101)**	**(2,889)**
Share of other comprehensive expense of a joint venture	**–**	**–**	**–**	**(19)**	**–**	**(19)**	**–**	**(19)**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**(2,807)**	**(8,592)**	**(11,399)**	**96**	**(11,303)**
Dividends recognised as distribution (note 6)	**–**	**–**	**–**	**–**	**(26,278)**	**(26,278)**	**–**	**(26,278)**
At 30 September 2019 (unaudited)	**26,278**	**78,945**	**18,644**	**(6,181)**	**798,054**	**915,740**	**528**	**916,268**

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 2019

	Six months ended	
	30.9.2019	30.9.2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**24,358**	57,676
INVESTING ACTIVITIES		
Purchase of investment properties	**–**	(109,363)
Purchase of property, plant and equipment	**(22,021)**	(30,858)
Deposit paid for acquisition of property, plant and equipment	**(2,269)**	(4,511)
Interest received	**2,478**	1,736
Proceeds from disposal of property, plant and equipment	**463**	66
Net cash used in investing activities	**(21,349)**	(142,930)
FINANCING ACTIVITIES		
New bank borrowings raised	**–**	48,116
Dividends paid	**(26,278)**	(31,534)
Repayment of lease liabilities	**(9,476)**	–
Repayment of bank borrowings	**(972)**	(643)
Interest paid	**(526)**	(344)
Net cash (used in) from financing activities	**(37,252)**	15,595
Net decrease in cash and cash equivalents	**(34,243)**	(69,659)
Cash and cash equivalents at beginning of the period	**358,768**	391,383
Effect of foreign exchange rate changes	**(832)**	(1,238)
Cash and cash equivalents at end of the period, representing bank balances and cash	**323,693**	320,486

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES"

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

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

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

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low value assets

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

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

As a lessee (Continued)

Right-of-use assets

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

The cost of right-of-use assets includes:

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

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

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

Leasehold land and buildings

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

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

As a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

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

As a lessee (Continued)

Lease liabilities (Continued)

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

Lease modifications

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

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

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

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

Taxation

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

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

As a lessor

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

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

Definition of a lease

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

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

As a lessee

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

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

As a lessee (Continued)

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

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

As a lessee (Continued)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

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

As a lessee (Continued)

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

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

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

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

As a lessor

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION

PERFORMANCE OBLIGATIONS FOR CONTRACTS WITH CUSTOMERS

The Group manufactures eyewear products 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 may have a right to return defective products. The Group uses its accumulated historical experience to estimate the number of exchange. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur.

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

TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION FOR CONTRACT WITH CUSTOMERS

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

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

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM"), being the executive directors of the Company, for the purposes of resources allocation and performance assessment become as follows:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2019

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

Note: Included in others was royalty income from granting license of trademarks amounted to approximately HK$3,202,000 (30 September 2018: HK$7,674,000). The related inter-segment sales is amounted to approximately HK$2,293,000 (30 September 2018: HK$6,752,000).

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

Segment results represent the results of each segment without allocation of certain other income, gains and losses (including bank interest income and gain/loss on disposal of property, plant and equipment), central administration costs (including directors' salaries), finance costs, and share of loss/profit of a joint venture.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

The Group's operations are located in Hong Kong and the Guangdong Province in the PRC. The Group's information about its revenue from external customers analysed by place of domicile of the relevant group entity and other places are detailed below:

	Six months ended	
	30.9.2019	30.9.2018
	HK$'000	HK$'000
Place of domicile of the relevant group entity:		
– Hong Kong	**24,387**	22,573
– The PRC	**49,264**	52,978
Other places:		
– Japan	**22,532**	91,207
– Italy	**172,075**	245,484
– United States	**156,881**	165,386
– Other countries	**66,585**	72,458
	491,724	650,086

4. INCOME TAX EXPENSE

	Six months ended	
	30.9.2019	30.9.2018
	HK$'000	HK$'000
The charge comprises:		
Current year		
Hong Kong Profits Tax	**450**	5,400
People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	**1,878**	2,052
United States Withholding tax	**273**	277
	2,601	7,729
Overprovision in respect of prior years		
PRC EIT	**(958)**	–
	1,643	7,729

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

4. INCOME TAX EXPENSE (CONTINUED)

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

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

PRC EIT is calculated at 25% of the assessable profits for subsidiaries established in the PRC in accordance with the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law. Pursuant to relevant laws and regulations in the PRC, a subsidiary of the Company is granted tax incentives for being qualified as a High and New Technology Enterprise and is entitled to a concessionary tax rate of 15% for 3 years from 2018 to 2020.

Under the Law of United States on Income Tax, a withholding tax is required upon income earned by a non-United States resident enterprise. The withholding tax is calculated at 30% of income received and receivable for current year.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

5. (LOSS) PROFIT FOR THE PERIOD

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

6. DIVIDENDS

During the current period, a final dividend in respect of the year ended 31 March 2019 of HK10.0 cents per share amounting to approximately HK$26,278,000 in total (six months ended 30 September 2018: final dividend in respect of the year ended 31 March 2018 of HK10.0 cents per share and a special dividend of HK2.0 cents per share amounting to approximately HK$31,534,000 in total) was declared and paid to owners of the Company.

Subsequent to 30 September 2019, the directors determined that an interim special dividend of HK1.5 cents per share in respect of the year ending 31 March 2020 (2018: an interim dividend of HK4.5 cents per share and an interim special dividend of HK1.5 cents per share) will be paid to the shareholders of the Company whose names appear in the Register of Members on 20 December 2019.

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.9.2019	30.9.2018
	HK$'000	HK$'000
(Loss) earnings		
(Loss) earnings attributable to the owners of the Company for the purpose of basic (loss) earnings per share	**(8,592)**	44,583
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	**262,778,286**	262,778,286

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, INVESTMENT PROPERTIES AND DEPOSIT PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately HK$24,753,000 (six months ended 30 September 2018: HK$32,939,000) for acquisition of property, plant and equipment.

During the current interim period, the Group entered into new lease agreements for the use of properties for 3 to 5 years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised HK$2,667,000 of right-of-use asset and HK$2,650,000 lease liability.

During the six months ended 30 September 2018, the Group completed the acquisition of investment properties located in Hong Kong. The total consideration is HK$120,290,000 of which HK$12,029,000 was paid during the year ended 31 March 2018. The remaining balance was paid on 31 May 2018 (date of acquisition), of which HK$48,116,000 was financed by a mortgage loan. The Group has also capitalised approximately HK$10,225,000 during the year ended 31 March 2018 and HK$1,102,000 on 31 May 2018 (date of acquisition) for expenditures directly attributed to the acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

9. TRADE AND OTHER RECEIVABLES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

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:

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

11. BANK BORROWINGS

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

12. SHARE CAPITAL

	Number of shares	Nominal amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	500,000,000	50,000
Issued and fully paid:		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	262,778,286	26,278

13. CAPITAL AND OTHER COMMITMENTS

	30.9.2019 HK$'000	31.3.2019 HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– Acquisition of plant and machinery	**4,982**	4,510
– Factory under construction or renovation	**2,109**	1,274
	7,091	5,784
Commitments contracted for but not provided in the condensed consolidated financial statements in respect of license fee for brandnames:		
Within one year	**2,466**	2,375
In the second to fifth year inclusive	**1,837**	2,547
	4,303	4,922
	11,394	10,706

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

14. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

		Six months ended	
Relationship with related parties	**Nature of transactions**	**30.9.2019**	30.9.2018
		HK$'000	HK$'000
A joint venture	Sales of eyewear products	**–**	1,837
An entity controlled by a non-controlling shareholder of a subsidiary	Management fee	**2**	3

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	
	30.9.2019	30.9.2018
	HK$'000	HK$'000
Short-term benefits	**2,473**	2,523
Retirement benefit scheme contribution	**74**	73
	2,547	2,596

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.

15. SHARE OPTIONS

Pursuant to a resolution passed on 22 August 2014 by the Company, a share option scheme of the Company (the "Share Option Scheme") that complies with the amendments to Chapter 17 of the Listing Rules in relation to share option schemes was adopted, primarily for providing incentives to eligible employees. No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments 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 instruments 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 instruments	Fair value as at 30.9.2019	Fair value as at 31.3.2019	Fair value hierarchy	Valuation techniques and key inputs
Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	**Assets – HK$49,000** **Liabilities – HK$1,012,000**	Assets – HK$325,000 Liabilities – HK$152,000	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 instruments 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 SPECIAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 December 2019 to 20 December 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim special dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on 16 December 2019.

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 2019 and as at 30 September 2019, 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

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

As at 30 September 2019, 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	–	143,033,828 (Note)	143,033,828	54.43%
Ku Ka Yung	–	143,033,828 (Note)	143,033,828	54.43%
Chan Chi Sun	1,526,000	–	1,526,000	0.58%
Ma Sau Ching	350,000	–	350,000	0.13%

Note: 143,033,828 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

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 2019, 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 2019, 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)	143,033,828	54.43%
Marshvale Investments Limited (Note 1)	143,033,828	54.43%
HSBC International Trustee Limited (Notes 1 & 2)	143,033,828	54.43%
Ku Ling Wah, Phyllis (Notes 1, 2 & 3)	143,033,828	54.43%

OTHER INFORMATION

Name	Number of ordinary shares held	Percentage of the issued share capital of the Company
Other Persons		
FMR LLC (Note 4)	26,277,000	9.99%
Webb David Michael (Notes 5 & 6)	26,328,000	10.02%
Fidelity Puritan Trust (Note 7)	20,999,000	7.99%
Preferable Situation Assets Limited (Note 6)	18,346,000	6.98%

Notes:

1. As at 30 September 2019, 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 143,033,828 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 143,033,828 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. 143,033,828 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 2019, The Vision Trust ultimately and wholly owned UVI, which held 143,033,828 shares of the Company.

OTHER INFORMATION

4. According to a corporate substantial shareholder notice filed by FMR LLC on 3 March 2017 (with the date of the relevant event as set out in the corporate substantial shareholder notice being 27 February 2017), FMR LLC held 26,277,000 shares of the Company indirectly through FMR Co., Inc.. FMR Co., Inc. is wholly owned by Fidelity Management & Research Company, which is a wholly-owned subsidiary of FMR LLC. Of the above mentioned 26,277,000 shares of the Company held by FMR Co., Inc., 2,642,000 shares of the Company were held for Fidelity Management Trust Company, which is wholly-owned by FMR LLC, while 2,338,000 shares of the Company were held for Fidelity Investments Canada ULC, which is ultimately owned by certain employees and shareholders of FMR LLC. Those employees and shareholders of FMR LLC own 100% equity interest in Fidelity Canada Investors LLC, which owns 64% equity interest in 483A Bay Street Holdings LP. 483A Bay Street Holdings LP owns 100% equity interest in BlueJay Lux 1 S.a.r.l., which owns 100% equity interest in FIC Holdings ULC, which in turn owns 100% equity interest in Fidelity Investments Canada ULC.

5. According to an individual substantial shareholder notice filed by David Michael Webb on 19 July 2017, as at 14 July 2017 (i.e. the date of the relevant event as set out in the individual substantial shareholder notice filed on 19 July 2017), of the 26,328,000 shares of the Company held by David Michael Webb, 8,294,000 shares of the Company were held directly by him, while 18,034,000 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 18,034,000 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 October 2016, as at 13 October 2016 (i.e. the date of the relevant event as set out in the corporate substantial shareholder notice filed on 18 October 2016), Preferable Situation Assets Limited, which is wholly owned by David Michael Webb, held 18,346,000 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 18,346,000 shares of the Company held by Preferable Situation Assets Limited under the SFO.

7. According to a corporate substantial shareholder notice filed by Fidelity Puritan Trust on 4 January 2018, as at 29 December 2017 (i.e. the date of the relevant event as set out in the corporate substantial shareholder notice filed on 4 January 2018), 20,999,000 shares of the Company were held directly by Fidelity Puritan Trust.

All the interests stated above represent long position. Save as disclosed above, as at 30 September 2019, 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

Stock Code 股份代號：125

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