

2015/16 INTERIM REPORT 中期報告

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*

Tsang Wing Leung, Jimson

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

A18/F, Asia Orient Tower

Town Place, 33 Lockhart Road

Wanchai

Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank

(Hong Kong) Limited

The Bank of Tokyo-Mitsubishi UFJ, Limited

The Hongkong and Shanghai Banking

Corporation Limited

Citibank, N.A.

WEBSITE

www.sunhingoptical.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The market demand for the Group's eyewear products slowed down during the period under review. As a result, the turnover of the Group decreased by 11.31% to HK\$533 million (2014: HK\$601 million) as compared to the same period of the last fiscal year. The decrease in turnover, together with the rising operating costs in China, adversely affected the Group's net profit. For the six months ended 30 September 2015, the Group recorded a decrease in profit attributable to the owners of the Company by 11.08% to HK\$29 million (2014: HK\$33 million). Accordingly, basic earnings per share decreased to HK11 cents (2014: HK13 cents).

The operating environment continued to be challenging. The production costs of the Group significantly increased due to the upward adjustment of the statutory minimum wages in Guangdong province, where the Group's production facilities are located. In May 2015, the Chinese government increased the statutory minimum wages in Dongguan and Heyuan city by 15% and 20% respectively. The substantial increase in labor costs imposed severe pressure on the Group's operation. Nevertheless, the Group was able to obtain efficiency gains from a number of specialty projects carried out to streamline its operation. Meanwhile, the depreciation of Renminbi in the second quarter of 2015/16 fiscal year and the modest adjustment in our product prices offset part of the negative cost impact from wage increase. The Group was able to manage its gross profit margin and net profit margin at 21.60% (2014: 18.96%) and 5.39% (2014: 5.49%) respectively.

THE ODM BUSINESS

The Group's original design manufacturing ("ODM") turnover decreased by 14.69% to HK\$453 million (2014: HK\$531 million) for the six months ended 30 September 2015, which represented 85% of the Group's total consolidated turnover. The decline in turnover was partly caused by the decrease of market demand in Europe as a result of the relatively weak European economy as well as the strong U.S. dollar environment. During the period under review, the Group's ODM turnover to Europe decreased by 11.55% to HK\$268 million (2014: HK\$303 million). Meanwhile, the economy of the United States did not recover in expected pace. In view of the market uncertainty, customers from United States were still very cautious in managing their own inventories and placing orders. As a result, the Group's ODM turnover to United States decreased by 23.08% to HK\$160 million (2014: HK\$208 million). In terms of geographical allocation, Europe and United States continued to be the two largest markets of the Group, and accounted for 59% and 35% (2014: 57% and 39%) of the Group's ODM turnover respectively. In terms of product mix, sales of plastic frames, metal frames and others accounted 57%, 42% and 1% (2014: 58%, 40% and 2%) of the Group's ODM turnover respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

THE BRANDED EYEWEAR DISTRIBUTION BUSINESS

For the six month ended 30 September 2015, the Group's branded eyewear distribution turnover increased by 14.29% to HK\$80 million (2014: HK\$70 million), which represented 15% of the Group's total consolidated turnover. The increase in turnover was mainly caused by the expansion of the Group's distribution network in China. At the same time, the market demand from other Asian countries was sluggish as a result of the strong U.S. dollar environment, but the Group was still able to maintain a stable turnover from those countries. As a combined effect of the above, the Group's distribution turnover to Asia increased by 18.97% to HK\$69 million (2014: HK\$58 million), which accounted for 87% of the Group's total distribution turnover. Asia was the largest market of the Group's branded eyewear distribution business.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a strong liquidity and financial position. It held a cash and bank balance of HK\$388 million as at 30 September 2015 and did not have any bank borrowings throughout the period. Net cash inflow from operation amounted to HK\$83 million during the six months ended 30 September 2015. 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 Group's long term growth.

Given the Group's strong cash position, the Directors have again resolved to declare an interim special dividend of HK1.0 cent per share on the top of the interim dividend of HK4.5 cents per share for the six months ended 30 September 2015. 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.

As at 30 September 2015, the net current assets and current ratio of the Group were approximately HK\$634 million and 4.1:1 respectively. The total equity attributable to owners of the Company decreased to HK\$935 million as at 30 September 2015 from HK\$957 million as at 31 March 2015 as a result of payment of final dividend for the last fiscal year. The Group effectively managed its working capital by closely monitoring its inventories and its debt collection status. Debtor turnover period and inventory turnover period were maintained at a level of 96 days and 69 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 plans.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 6,500 people as at 30 September 2015. 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 2015, 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 COMMITMENT

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

PROSPECTS

The business environment is expected to be very challenging in the second half of the current fiscal year. Although the recent depreciation of Renminbi has eased some of the Group's cost pressure, the general operating costs, especially labor wages, remain high in China. There are also signs indicating that interest rate of U.S. dollar may increase in the coming months and the Euro zone may further expand its quantitative easing monetary policy in a short time. As a result, the strong U.S. dollar environment will probably persist and further undermine the market demand for eyewear products from European and Asian countries, where the Group's major source of ODM and distribution turnover come from.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group has prepared ahead for the coming challenges. We believe that continuous efficiency improvement along side with a low cost footprint for operation will help us survive even the toughest business environment. To achieve this aim, we will continue to carry out projects, through our cross-functional teams, to re-engineer the production processes, improve moulds and tools, reduce material consumption, shorten service and production lead time as well as improve product quality. Meanwhile, we will closely monitor our working capital and implement effective budgetary control to ensure that resources are spent in the most cost-effective manner. We will not, however, stop at making investment on assets which can enhance the Group's operation in long run. We will also explore business opportunities which is strategically important for the Group's future development.

For ODM business, we will continue to maintain a flexible production capacity so that we can swiftly react to any change in market demand caused by the volatile economy. Furthermore, we will focus to strengthen our partnership with existing major customers, in order to establish a long standing and sustainable relationship that creates mutual benefits and synergy. For the distribution business, we will optimize our brand portfolio and align our product design to the taste and unique preference of each specific market. We will further widen our sales network for branded products through exploring new geographical market, consolidating our customer portfolio and utilizing the ecommerce platform for distribution.

We foresee that the business environment will stay tough in the period to come. Levering on our core competence and the actions that we are going to take, we are confident that we can overcome the challenges, 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 enhancing 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"), except for the deviation from code provision A.2.1 of the CG Code.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 and internal control 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 2015 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2015.

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

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

APPRECIATION

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

On behalf of the Board
Ku Ngai Yung, Otis
Chairman

Hong Kong, 27 November 2015

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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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 10 to 22, which comprise the condensed consolidated statement of financial position as of 30 September 2015 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

27 November 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2015

	NOTES	Six months ended	
		30.9.2015 HK\$'000 (unaudited)	30.9.2014 HK\$'000 (unaudited)
Revenue		532,970	600,967
Cost of sales		(417,836)	(487,017)
Gross profit		115,134	113,950
Bank interest income		817	1,733
Other income, gains and losses		(2,646)	74
Selling and distribution costs		(12,750)	(10,664)
Administrative expenses		(68,558)	(65,993)
Profit before tax		31,997	39,100
Income tax expense	4	(3,249)	(6,079)
Profit for the period	5	28,748	33,021
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(1,630)	347
Total comprehensive income for the period		27,118	33,368
Profit (loss) for the period attributable to:			
Owners of the Company		29,361	33,021
Non-controlling interests		(613)	–
		28,748	33,021
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		27,761	33,368
Non-controlling interests		(643)	–
		27,118	33,368
Earnings per share			
Basic	7	HK11 cents	HK13 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2015

	NOTES	30.9.2015 HK\$'000 (unaudited)	31.3.2015 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	293,454	299,706
Prepaid lease payments		3,268	3,314
Deposit paid for acquisition of property, plant and equipment		8,127	1,876
Deferred tax assets		536	536
		305,385	305,432
CURRENT ASSETS			
Inventories		158,767	153,450
Trade and other receivables	9	295,270	325,182
Prepaid lease payments		91	91
Derivative financial instruments		13	747
Tax recoverable		83	59
Bank balances and cash		387,806	379,142
		842,030	858,671
CURRENT LIABILITIES			
Trade and other payables	10	191,889	189,068
Derivative financial instruments		1,404	53
Tax payable		14,374	12,424
		207,667	201,545
NET CURRENT ASSETS		634,363	657,126
		939,748	962,558

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 30 September 2015

	NOTES	30.9.2015 HK\$'000 (unaudited)	31.3.2015 HK\$'000 (audited)
CAPITAL AND RESERVES			
Share capital	11	26,278	26,278
Share premium and reserves		908,788	930,955
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Equity attributable to owners of the Company		935,066	957,233
Non-controlling interests		469	1,112
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		935,535	958,345
NON-CURRENT LIABILITY			
Deferred tax liabilities		4,213	4,213
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		939,748	962,558
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2015

	Attributable to owners of the Company								
	Share capital	Share premium	Special reserve	Property revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note)						
At 1 April 2014 (audited)	26,278	78,945	18,644	18,280	(203)	801,235	943,179	-	943,179
Profit for the period	-	-	-	-	-	33,021	33,021	-	33,021
Other comprehensive income for the period	-	-	-	-	347	-	347	-	347
Total comprehensive income for the period	-	-	-	-	347	33,021	33,368	-	33,368
Dividends recognised as distribution (note 6)	-	-	-	-	-	(39,417)	(39,417)	-	(39,417)
At 30 September 2014 (unaudited)	26,278	78,945	18,644	18,280	144	794,839	937,130	-	937,130
At 1 April 2015 (audited)	26,278	78,945	18,644	20,752	(38)	812,652	957,233	1,112	958,345
Profit for the period	-	-	-	-	-	29,361	29,361	(613)	28,748
Other comprehensive expense for the period	-	-	-	-	(1,600)	-	(1,600)	(30)	(1,630)
Total comprehensive income (expense) for the period	-	-	-	-	(1,600)	29,361	27,761	(643)	27,118
Dividends recognised as distribution (note 6)	-	-	-	-	-	(49,928)	(49,928)	-	(49,928)
At 30 September 2015 (unaudited)	26,278	78,945	18,644	20,752	(1,638)	792,085	935,066	469	935,535

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 2015

	Six months ended	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	83,453	33,030
Purchase of property, plant and equipment	(19,389)	(22,329)
Deposit paid for acquisition of property, plant and equipment	(6,251)	(869)
Others	1,245	2,669
Net cash used in investing activities	(24,395)	(20,529)
Cash used in a financing activity – dividends paid	(49,928)	(39,417)
Net increase (decrease) in cash and cash equivalents	9,130	(26,916)
Cash and cash equivalents at beginning of the period	379,142	335,331
Effect of foreign exchange rate changes	(466)	90
Cash and cash equivalents at end of the period, representing bank balances and cash	387,806	308,505

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2015

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”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain leasehold land and buildings and financial instruments, which are measured at revalued amounts or 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 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

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 HKAS 19	Defined benefits plans: Employee contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

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.

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 2015

4. INCOME TAX EXPENSE

	Six months ended	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
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The charge comprises:		
Current year		
Hong Kong Profits Tax	6,348	4,072
People's Republic of China ("PRC") Enterprise Income Tax	100	2,007
	<hr/>	
	6,448	6,079
Overprovision in prior years		
PRC Enterprise Income Tax	(3,199)	–
	<hr/>	
	3,249	6,079
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Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit 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 2015

5. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Impairment losses reversed on trade receivables, net	(246)	(770)
Depreciation of property, plant and equipment	25,350	25,975
Gain on disposals of property, plant and equipment	(137)	–
Employee benefits expenses	204,575	220,610
Net foreign exchange losses	834	5,908
Fair value changes on derivative financial instruments	2,085	(4,800)
Release of prepaid lease payments	46	46
Write-down of inventories	19,916	3,166

6. DIVIDENDS

During the period, a 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 (six months ended 30 September 2014: final dividend in respect of the year ended 31 March 2014 of HK10.0 cents per share and a special dividend of HK5.0 cents per share amounting to approximately HK\$39,417,000 in total) were paid to shareholders.

Subsequent to 30 September 2015, the directors determined that an interim dividend of HK4.5 cents per share and a special dividend of HK1.0 cent per share in respect of the year ending 31 March 2016 (2014: an interim dividend of HK4.5 cents per share and a special dividend of HK1.5 cents per share in respect of the year ended 31 March 2015 amounting to approximately HK\$15,767,000 in total) will be paid to the shareholders of the Company whose names appear in the Register of Members on 28 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 September 2015

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	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
<hr/>		
Earnings		
Earnings attributable to the owners of the Company for the purpose of basic earnings per share	29,361	33,021
<hr/>		
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	262,778,286	262,778,286
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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\$19,389,000 (six months ended 30 September 2014: HK\$22,329,000) on acquisition of property, plant and equipment.

In the opinion of the directors of the Company, the aggregate carrying amount of the Group's leasehold land and buildings that are carried at revalued amounts does not differ significantly from their estimated aggregate fair value. Consequently, no revaluation surplus or deficit has been recognised in the current period (six months ended 30 September 2014: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 September 2015

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:

	30.9.2015	31.3.2015
	HK\$'000	HK\$'000
Trade receivables		
Current	255,982	278,812
Overdue up to 90 days	15,926	26,236
Overdue more than 90 days	8,056	7,171
	279,964	312,219
Prepayments	11,505	6,620
Deposits	2,491	3,702
Other receivables	1,310	2,641
Trade and other receivables	295,270	325,182

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:

	30.9.2015	31.3.2015
	HK\$'000	HK\$'000
Trade payables		
Current and overdue up to 90 days	105,712	80,936
Overdue more than 90 days	11,315	29,885
	117,027	110,821
Accruals	65,337	66,623
Amount due to an entity controlled by non-controlling interests (Note)	114	46
Amount due to a non-controlling shareholder of a subsidiary (Note)	–	309
Other payables	9,411	11,269
Trade and other payables	191,889	189,068

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 2015

11. SHARE CAPITAL

	Number of shares	Nominal amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2014, 30 September 2014, 31 March 2015 and 30 September 2015	500,000,000	50,000
Issued and fully paid:		
At 1 April 2014, 30 September 2014, 31 March 2015 and 30 September 2015	262,778,286	26,278

12. CAPITAL AND OTHER COMMITMENTS

	30.9.2015 HK\$'000	31.3.2015 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements		
– Acquisition of property, plant and machinery	23,869	8,892
– Factory under construction or renovation	1,265	2,147
	25,134	11,039
Commitments contracted for but not provided in the condensed consolidated financial statements in respect of license fee for brandnames		
	11,743	15,900
	36,877	26,939

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 September 2015

13. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in the condensed consolidated financial statements, a management fee of approximately HK\$188,000 (six months ended 30 September 2014: nil) was paid by the Group to an entity controlled by non-controlling interests during the current period ended 30 September 2015.

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	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
Short-term benefits	3,075	2,013

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 2015

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		Fair value hierarchy	Valuation techniques and key inputs
	30.9.2015	31.3.2015		
Derivative financial instruments	Assets - HK\$13,000 Liabilities - HK\$1,404,000	Assets - HK\$747,000 Liabilities - HK\$53,000	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 HK1.0 cent per share for the six months ended 30 September 2015 (2014: HK4.5 cents and HK1.5 cents). The interim dividend and interim special dividend will be payable on or about 13 January 2016 to the shareholders whose names appear on the register of members of the Company at the close of trading on 28 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 December 2015 to 28 December 2015, 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, A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on 17 December 2015.

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 2015 and as at 30 September 2015, 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 2015, 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)

Name of Directors	Number of ordinary shares held			Percentage of issued share capital of the Company
	Personal interest	Other interest	Total	
Ku Ngai Yung, Otis	3,737,223	137,359,382 (Note)	141,096,605	53.69%
Ku Ka Yung	3,737,223	137,359,382 (Note)	141,096,605	53.69%
Tsang Wing Leung, Jimson	1,570,000	–	1,570,000	0.60%
Chan Chi Sun	1,526,000	–	1,526,000	0.58%
Ma Sau Ching	350,000	–	350,000	0.13%

Note: 137,359,382 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 2015, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2015, 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.

Name of substantial shareholders	Number of ordinary shares held	Percentage of the issued share capital of the Company
United Vision International Limited (Note 1)	137,359,382	52.27%
Marshvale Investments Limited (Note 1)	137,359,382	52.27%
HSBC International Trustee Limited (Notes 1 & 2)	138,177,382	52.58%
Ku Ling Wah, Phyllis (Notes 1, 2 & 3)	137,359,382	52.27%
FMR LLC (Note 4)	24,192,000	9.21%
Webb David Michael (Notes 5 & 6)	26,320,000	10.02%
Preferable Situation Assets Limited (Note 6)	18,443,000	7.02%

OTHER INFORMATION (CONTINUED)

Notes:

1. As at 30 September 2015, 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 137,359,382 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 137,359,382 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. Of the 138,177,382 shares of the Company held by HSBC Trustee, 137,359,382 shares of the Company were held indirectly through UVI as mentioned in note (1) above and 818,000 shares of the Company were held as trustee.
3. Ms. Ku Ling Wah, Phyllis 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 2015, The Vision Trust ultimately and wholly owned UVI, which held 137,359,382 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.
5. According to an individual substantial shareholder notice filed by David Michael Webb on 7 July 2015, as at 2 July 2015 (i.e. the date of the relevant event as set out in the individual substantial shareholder notice filed on 7 July 2015), of the 26,320,000 shares of the Company held by David Michael Webb, 7,328,000 shares of the Company were held directly by him, while 18,992,000 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 18,992,000 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 2015, 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