

# 10/11

ANNUAL REPORT 年報

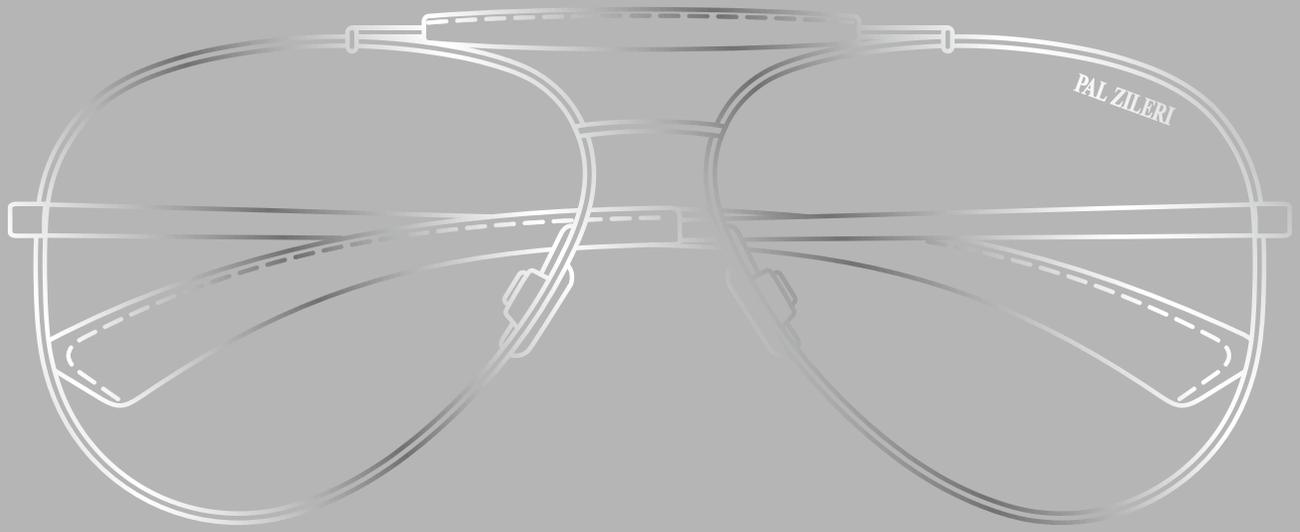
SUN HING  
VISION GROUP  
HOLDINGS LIMITED

新興光學集團控股有限公司  
STOCK CODE 股份代號：125

A stylized, cursive logo for Sun Hing Vision Group Holdings Limited. The word "Sun Hing" is written in a fluid, handwritten style with a large, sweeping 'S' at the beginning and a long, trailing 'g' at the end.

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







Sun Hing Vision Group is a key player in the global eyewear industry who designs, manufactures and distributes premium eyewear products over the world. We design and manufacture on an ODM basis for eyewear products bearing internationally recognised brand and designer names. In fact, we are one of the largest ODM eyewear companies in the world. We have a strong customer base and maintain well established trust with our customers.

Sun Hing manages a wide collection of well selected brands for our branded eyewear distribution business. We are in strategic partnership with the world-class licensed brand owners. Our brand portfolio includes Levi's, New Balance, Jill Stuart, Celine Dion, Missoni, M Missoni and Pal Zileri and our house brand Public+.

CORPORATE PROFILE



# CUSTOMER SATISFACTION



Sun Hing is dedicated to quality. Our outstanding design and manufacturing capability allows to maintain our competitive edge and leading position in the industry. We are committed to deliver the best service and products to our customers. With strong consciousness to market trend and industrial development, we understand market needs and provide our customers with promising, superb and all-rounded product solutions.

OUTSTANDING



# QUALITY

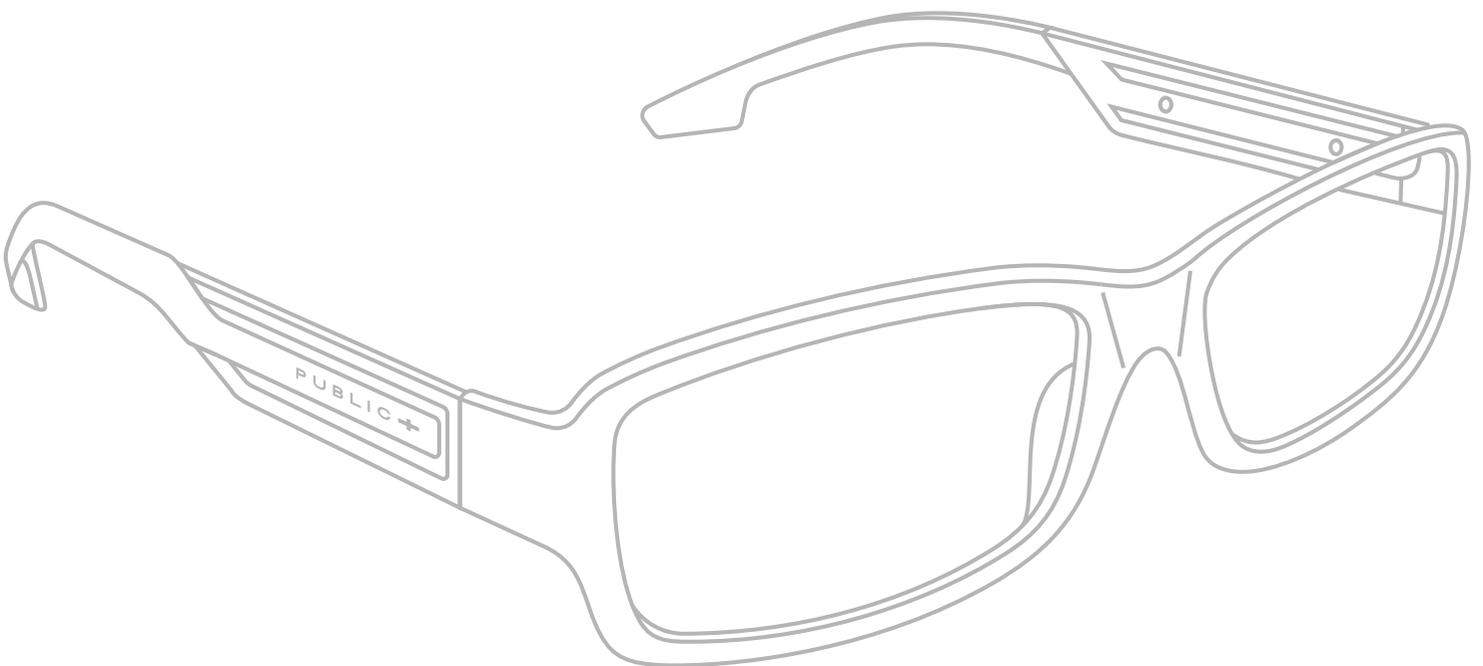


# CULTURE OF INNOVATION

We value the importance of continuous innovation. Levering on Sun Hing's passionate, promising and professional team, innovative ideas penetrate and are reflected in each of our products and every single step in our operation processes. Our innovative mind also enables us to think out of box when drawing our business blueprint. We believe that innovation is the key for sustainable future growth.

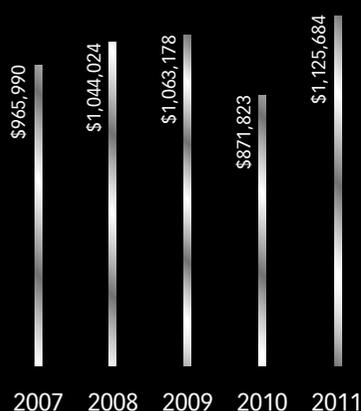
Sun Hing cares about the environment that we are living in. We are one of the pioneers who obtain the qualification of ISO 14001. We also commit to carry out clean production as well as energy saving programs. We encourage reduction of wastage. This philosophy is deeply reinforced as part of our culture because it does not only help to promote operational efficiency, but also helps to bring a better world for mankind.

# CARING FOR THE ENVIRONMENT

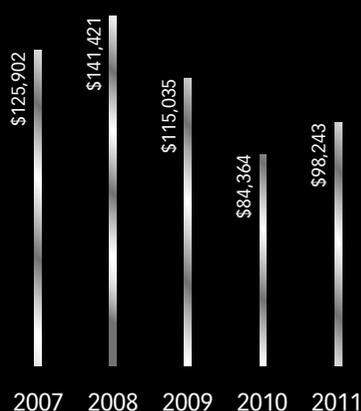


# FINANCIAL HIGHLIGHTS

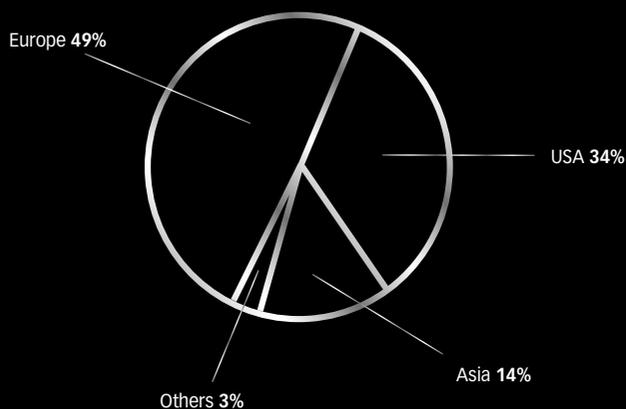
Revenue  
(HK\$'000) for year ended 31 March



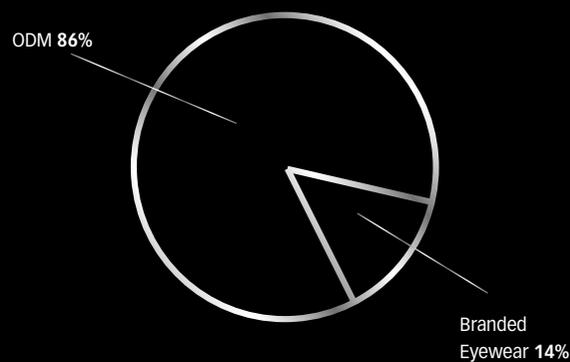
Profit Attributable to Shareholders  
(HK\$'000) for year ended 31 March



Revenue by Geographical Area  
for year ended 31 March 2011



Revenue by Business Division  
for year ended 31 March 2011





Levi's

# LETTER TO SHAREHOLDERS

We are pleased to announce the results of Sun Hing Vision Group Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 March 2011.

## Results

Business environment continued to stabilize and improve during the year under review. For the year ended 31 March 2011, the Group recorded an increase in turnover by 29% to HK\$1,126 million (2010: HK\$872 million). Net profit of the Group increased by 16% to HK\$98 million (2010: HK\$84 million). Accordingly, basic earnings per share increased by 16% to HK37 cents (2010: HK32 cents).

## Dividends

The Directors have resolved to recommend at the forthcoming annual general meeting a final dividend of HK10.0 cents per share and a final special dividend of HK3.0 cents per share for the year ended 31 March 2011, to the shareholders whose names appear in the register of members of the Company at the close of business on 7 September 2011. This final and final special dividend, together with the interim and interim special dividend of HK7.3 cents per share already paid, will make a total distribution of HK20.3 cents per share for the full year. The final dividend and final special dividend are expected to be paid on or about 23 September 2011.

## Closure of Register of Members

The register of members of the Company will be closed from 23 August 2011 to 26 August 2011 (both days inclusive) and from 2 September 2011 to 7 September 2011 (both days inclusive), during which periods no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Union Registrars Limited, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (“Hong Kong Share Registrar”) not later than 4:00 p.m. on 22 August 2011. In order to qualify for the proposed final dividend and final special dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar not later than 4:00 p.m. on 1 September 2011.

## Management Discussion and Analysis

### Business Review

Improving economy and stronger consumer confidence in the world’s major markets resulted in an obvious rebound in demand for eyewear products during the year under review. As a company with excellent design capability, brand management strength, efficient operations and a strong financial position, the Group has been able to capitalize on the business opportunities offered by the recovery of the global economy. As a result, the turnover of the Group increased significantly by 29% to HK\$1,126 million (2010: HK\$872 million). The Group’s turnover for both of its original design manufacturing (“ODM”) business and branded eyewear distribution business recorded satisfactory growth, and accounted for about 86% and 14% of the Group’s consolidated turnover respectively.

Meanwhile, it was challenging for the Group to maintain the same level of profitability as before in a business environment with rapidly rising operation costs. The Group’s production base is located in Guangdong, China. The minimum wage level in Guangdong increased in May 2010 and was further adjusted upward in March 2011. This imposed severe cost pressure on the Group. Raw material prices significantly increased and were highly volatile due to the strong global industrial demand and speculative activities of investors. Renminbi continuously appreciated throughout the year under review, which further amplified the above negative cost impacts. As a result of the above factors, the Group’s gross profit margin decreased from 26.72% to 23.06% and net profit margin decreased from 9.68% to 8.73%.

### The ODM Business

For the year ended 31 March 2011, the Group’s ODM turnover increased by 28% to HK\$964 million (2010: HK\$755 million). After the severe downturn in 2009, Europe and United States gradually recovered and regained their growth momentum. The improving market atmosphere stimulated consumer spending in these two regions. During the year under review, the Group’s ODM turnover to Europe and United States increased by 28% to HK\$548 million (2010: HK\$429 million) and by 28% to HK\$380 million (2010: HK\$298 million) respectively. Europe and United States continued to be the two most important markets of the Group and accounted for 57% and 39% of the Group’s ODM turnover. In term of product mix, sales of metal frames, plastic frames and others accounted for 60%, 39% and 1% (2010: 62%, 36% and 2%) of the Group’s ODM turnover respectively.

### **The Branded Eyewear Distribution Business**

The Group's branded eyewear distribution business increased by 38% to HK\$162 million (2010: HK\$117 million) for the year ended 31 March 2011. The performance of Asian market was notable. The Group's sales to Asia contributed about 86% of the total distribution turnover, which served as a key driver for sales growth. The Group continued to optimize its brand portfolio by phasing out non-performing brands while introducing new brands with high growth potential. During the year under review, the Group launched its first collection of Missoni, M. Missoni and Pal Zileri eyewear products, and the market response for these collections was remarkable.

### **Liquidity and Capital Resources**

The Group continued to maintain a strong liquidity and financial position. It held a cash and bank balance of HK\$353 million as at 31 March 2011 and did not have any bank borrowings during the year. The Group will continue to adopt a prudent approach to manage its cash flows. During the year under review, net cash inflow from operations amounted to HK\$133 million.

Given the Group's strong cash position, the Directors have again resolved to declare a final special dividend of HK3.0 cents per share on the top of the final dividend of HK10.0 cents per share for the year ended 31 March 2011. 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 31 March 2011, the net current assets and current ratio of the Group were approximately HK\$596 million and 3.9:1 respectively. The total shareholders' equity of the Group increased to HK\$896 million as at 31 March 2011 from HK\$845 million as at 31 March 2010. The Group adopted a responsive but yet prudent approach to manage its receivables and inventories. Debtor turnover period and inventory turnover period were 89 days and 70 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 plans.

### **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 appreciation of Renminbi, the Group's exposure to currency fluctuation was relatively limited. The Group does not currently implement hedging for foreign exchange. However, the Group will closely monitor the foreign exchange exposures and will consider to hedge the significant foreign exchange exposure when necessary.

### **Human Resources**

The Group had a workforce of about 10,000 people as at 31 March 2011. 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 31 March 2011, 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 25 to the consolidated financial statements.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

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

### **Prospects**

Despite the encouraging signs that the global economy is on its way out of the trough, the current recovery is still fragile. The new wave of sovereign debt crisis in Portugal and Greece added further uncertainty to the pace of recovery. United States continues to be clouded by the high unemployment rate that dampens the market sentiment and consumer confidence. Japan was hit by the devastating earthquake in March 2011 and the subsequent leak of radiation from the damaged nuclear plants remains unresolved up to this moment.

Operating costs are expected to further increase in the next financial year. It is expected that raw material prices will continuously rise as a result of economic recovery and higher commodity prices. At the same time, the recently increased minimum wages in China will post a full-year cost impact on the Group in the coming financial year. In response to the above negative factors, the Group will further streamline its operation and enhance overall efficiency. The Group will persistently invest in carefully selected assets in connection to automation and standardization of production as well as improvement of product quality. The Group will continue to maintain a productive and flexible workforce. The management of the Group will closely monitor the market demand and promptly adjust the labor structure in order to achieve an optimal staff mix. In order to cope with rising raw material prices, the Group is committed to building a strong alliance with existing key suppliers with an aim to obtain favorable terms for stable supply of various raw materials. The Group is also actively seeking new sourcing channels and explores new ways to enhance efficiency of material consumption. It is expected that the above measures will help minimize the rising cost pressure.

The Directors expect that the Group's branded eyewear distribution business will be an important engine for growth of the Group's business in the coming few years. The Group's expertise and strong foundation in branded eyewear distribution in Asia will likely create important business opportunities in the Asian countries that are enjoying faster economic growth relative to the rest of the world. The Group will continue to explore new distribution channels and will work closely with its distribution partners to carry out cost effective marketing campaigns in order to enhance market presence and penetration for its branded eyewear products. In the meantime, the Group is actively seeking licensing opportunities for new prominent brand names to enrich its brand portfolio.

The Group is well prepared for the challenges ahead. Levering on the Group's strong financial position and efficient operation, we are confident that the Group will overcome the challenges and achieve sustainable business growth.

### **Appreciation**

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

**Ku Ngai Yung, Otis**  
*Chairman*  
Hong Kong, 24 June 2011

**Ku Ka Yung**  
*Deputy Chairman*

# DIRECTORS, SENIOR MANAGEMENT AND STAFF

## Executive Directors

*Mr. Ku Ngai Yung, Otis*, aged 44, is the chairman and managing Director of the Group. He is also a director of certain group members. Mr. Ku holds a bachelor of arts degree majoring in administrative and commercial studies from the University of Western Ontario, Canada. He joined the Group in June 1988. He is responsible for the Group's overall corporate policy making, strategic planning and business development. He is the son of Mr. Ku Yiu Tung and the brother of Mr. Ku Ka Yung and Ms. Ku Ling Wah, Phyllis.

*Mr. Ku Ka Yung*, aged 38, is the deputy chairman and chief financial officer of the Group. He is also a director of certain group members. Mr. Ku is responsible for the Group's accounting and financial management. He holds a bachelor of commerce degree from the University of Toronto, Canada and a master of business administration degree from McGill University, Montreal, Canada. He is a certified public accountant in the US. He joined the Group in August 1996. He is the brother of Mr. Ku Ngai Yung, Otis and Ms. Ku Ling Wah, Phyllis and the son of Mr. Ku Yiu Tung.

*Mr. Tsang Wing Leung, Jimson*, aged 43, is the executive Director responsible for the Group's product development and purchasing activities. He also holds position of certain Group member. He joined the Group in February 1989.

*Ms. Ku Ling Wah, Phyllis*, aged 46, is the executive Director responsible for the general administration including accounting, human resources management and treasury functions of the Group in Hong Kong. She also holds position of certain group member. She joined the Group in January 1988. She is the sister of Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung, and the daughter of Mr. Ku Yiu Tung.

*Mr. Chan Chi Sun*, aged 45, is the executive Director responsible for the general administration of the Group. He also holds directorships and other positions of certain group members. Mr. Chan holds a bachelor degree from the University of Western Ontario, Canada. He joined the Group in June 1994. He is responsible for the overall administration of the Group and has extensive experience in information technology.

*Ms. Ma Sau Ching*, aged 49, is the executive Director responsible for the marketing development of the Group. She also holds position of certain group member. Ms. Ma holds a master of business administration degree in strategic marketing from the University of Hull, United Kingdom, and a diploma in management studies from the Hong Kong Polytechnic University. She joined the Group in December 1997.

## Non-Executive Director

*Mr. Ku Yiu Tung*, aged 77, is the founder of the Group and has more than forty years of experience in the optical industry. Mr. Ku Yiu Tung is the father of Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung and Ms. Ku Ling Wah, Phyllis.

## Independent Non-Executive Directors

*Mr. Lo Wa Kei, Roy*, aged 40, has been an independent non-executive Director of the Group since 1 May 1999. He is a fellow member of Hong Kong Institute of Certified Public Accountants (Practicing), Association of Chartered Certified Accountants and CPA Australia. He is also a member of the Hong Kong Securities Institute and Institute of Chartered Accountants in England and Wales. Mr. Lo has over eighteen years of experience in auditing, accounting, risk management and finance. He is the deputy managing partner of Shinewing (HK) CPA Limited and the vice president of CPA Australia (Hong Kong China Division). He is also currently an independent non-executive director of China Zhongwang Holdings Limited and North Mining Shares Company Limited and was an independent non-executive director of Time Infrastructure Holdings Limited (now known as Goldpoly New Energy Holdings Limited) until 26 November 2010. These three companies are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

*Mr. Lee Kwong Yiu*, aged 48, has over sixteen years of experience in Hong Kong law as a qualified solicitor. He is now the principal of Philip K. Y. Lee & Co. Solicitors. He is also the Associate Member of the Chartered Institute of Arbitrators and is a China-Appointed Attesting Officer since 20 April 2006. Mr. Lee has been appointed as an independent non-executive Director since 1 May 2001. He is also currently an independent non-executive director of Vital Group Holdings Limited (formerly known as Vital Pharmaceutical Holdings Limited) and ABC Communications (Holdings) Limited. Both companies are listed on Stock Exchange.

*Mr. Wong Che Man, Eddy*, aged 51, has over twenty years of experience in the auditing and accounting profession. He is the sole proprietor of Eddy Wong & Co., Certified Public Accountants, and is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wong was appointed as an independent non-executive Director on 21 September 2004. He is currently an independent non-executive director of China All Access (Holdings) Limited and was an independent non-executive director of Smart Rich Energy Finance (Holdings) Limited (now known as G-Resources Group Limited) until 25 March 2009. All of the above companies are listed on the Stock Exchange.

### **Senior Management**

*Mr. Lee Kar Lun, Clarence*, aged 36, is the financial controller of the Group and is responsible for overseeing the Group's accounting and finance function. He holds a bachelor of accountancy degree from the Hong Kong Polytechnic University and is member of the Association of Chartered Certified Accountants. Before joining the Group in April 2009, he was in auditing and accounting profession.

*Ms. Cheunk Siu Ling*, aged 45, is the accounting manager of the Group and is responsible for the Group's accounting and finance function. She is a member of the Association of Chartered Certified Accountants and holds a bachelor of business administration degree from Thames Valley University, London, and holds a higher certificate in accountancy from the Hong Kong Polytechnic University. She joined the Group in 1995.

*Mr. Wong Lap Ping*, aged 44, is the product engineering manager of the Group. He is responsible for day-to-day product development management. He joined the Group in 1991.

*Mr. Leung Cheuk Pong*, aged 42, is the operation manager of the Group and is responsible for the Group's purchasing and logistics activities. He holds a bachelor of commerce degree from Deakin University, Australia. He joined the Group in 1996.

# CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high standard of corporate governance with a view to enhancing the management of the Company as well as to preserve the interests of the shareholders as a whole. The Board has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), which came into effect on 1 January 2005. During the year ended 31 March 2011, the Company has complied with all applicable code provisions in the CG Code except for the deviation from Code A.2.1 of the CG Code as described below in the “Chairman and Chief Executive Officer” section.

## Directors’ Securities Transactions

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 year ended 31 March 2011.

## Board of Directors

The Board comprises of six executive Directors, namely Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung, Mr. Tsang Wing Leung, Jimson, Ms. Ku Ling Wah, Phyllis, Mr. Chan Chi Sun and Ms. Ma Sau Ching, one non-executive Director, Mr. Ku Yiu Tung, and three independent non-executive Directors, namely Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy. Two of the independent non-executive Directors possess appropriate professional accounting qualifications and financial management expertise. All of the independent non-executive Directors have signed their respective confirmation letters to the Company confirming their independence as set out in rule 3.13 of the Listing Rules. Biographical details of the Directors are set out in the section of Directors, Senior Management and Staff on pages 15 to 16. The Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company.

The Board conducted four Board meetings, all of such meetings were regular Board meetings in compliance with Code A1.1 of the CG Code, during the year ended 31 March 2011. The attendance of each Director is set out as follows:

<b>Directors</b>	<b>Attendance Record</b>
Mr. Ku Ngai Yung, Otis ( <i>Chairman</i> )	4/4
Mr. Ku Ka Yung ( <i>Deputy Chairman</i> )	4/4
Mr. Tsang Wing Leung, Jimson	4/4
Ms. Ku Ling Wah, Phyllis	4/4
Mr. Chan Chi Sun	4/4
Ms. Ma Sau Ching	4/4
Mr. Ku Yiu Tung	4/4
Mr. Lo Wa Kei, Roy	4/4
Mr. Lee Kwong Yiu	4/4
Mr. Wong Che Man, Eddy	4/4

The Board is charged with the responsibility of setting corporate policy and overall strategy for the Group and providing effective oversight of the management of the Group’s business affairs. The Board also monitors the financial performance and the internal controls of the Group’s business operations. The implementation of strategy, management of daily operations and administration of the Group’s affairs are delegated to the management team.

### **Board of Directors (continued)**

The non-executive Director, Mr. Ku Yiu Tung is the father of Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung, and Ms. Ku Ling Wah, Phyllis.

### **Chairman and Chief Executive Officer**

Code A.2.1 of the CG Code provides, inter alia, that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company does not officially have a position of Chief Executive Officer. However, Mr. Ku Ngai Yung, Otis has been assuming the roles of both the Chairman and Chief Executive Officer of the Company. In this regard, the Company has deviated from Code A.2.1 of the CG Code. 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. Nonetheless, 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.

### **Appointment and Re-election of Directors**

According to Bye-law 87(1) of the bye-laws of the Company (the "Bye-laws"), at each annual general meeting of the Company, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation no later than the third annual general meeting after he was last elected or re-elected. Also, according to Bye-law 90 of the Bye-laws, a Director appointed to an office as managing director, joint managing director or deputy managing director shall also be subject to rotation, resignation and removal as the other directors of the Company.

Ms. Ku Ling Wah, Phyllis and Mr. Tsang Wing Leung, Jimson, both of them are executive Directors and Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy, both of them are independent non-executive Directors were re-elected as Directors at the 2010 annual general meeting for a term of no more than three years and subject to retirement by rotation in accordance with the Bye-laws.

Mr. Ku Ka Yung and Ms. Ma Sau Ching, both of them are executive Directors, Mr. Ku Yiu Tung, a non-executive Director and Mr. Lee Kwong Yiu, an independent non-executive Directors will retire at the forthcoming 2011 annual general meeting and will offer themselves for re-election. Their proposed term of office shall not be more than three years and is subject to retirement by rotation in accordance with the Bye-laws.

### **Remuneration Committee**

A remuneration committee (the "Remuneration Committee") was established by the Company in September 2005 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, the determination of remuneration of executive Directors and senior management and review of the remuneration policy of the Group.

**Remuneration Committee (continued)**

The Remuneration Committee held one meeting during the year ended 31 March 2011. The attendance of each remuneration committee member is set out as follows:

<b>Remuneration Committee Members</b>	<b>Attendance Record</b>
Mr. Lee Kwong Yiu ( <i>Chairman</i> )	1/1
Mr. Lo Wa Kei, Roy	1/1
Mr. Wong Che Man, Eddy	1/1

During the year ended 31 March 2011, the Remuneration Committee has reviewed and determined the remuneration of the Directors and the overall remuneration policy of the Group.

**Audit Committee**

An audit committee (the "Audit Committee") has been established by the Company 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, 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. During the year ended 31 March 2011, the Audit Committee has performed the above duties, including making recommendations to the Board regarding internal control matters, and reviewing the interim and annual reports of the Group. The Group's consolidated financial statements for the year ended 31 March 2011 have been reviewed by the Audit Committee and audited by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu.

During the year ended 31 March 2011, the Audit Committee held two meetings. Attendance of each audit committee member is set out as follows:

<b>Audit Committee Members</b>	<b>Attendance Record</b>
Mr. Lo Wa Kei, Roy ( <i>Chairman</i> )	2/2
Mr. Lee Kwong Yiu	2/2
Mr. Wong Che Man, Eddy	2/2

**Auditor's Remuneration**

During the year under review, the remuneration paid or payable to the Company's auditor, Messrs. Deloitte Touche Tohmatsu is set out as follows:

<b>Type of Services</b>	<b>Fees Paid/Payable</b>
Audit services	HK\$1,080,000
Non-audit services	
Interim results review	HK\$200,000
Tax compliance and advisory services	HK\$275,000
Internal control review	HK\$70,000

## **Accountability and Internal Control**

The Directors acknowledge their responsibility to prepare financial statements for the financial year ended 31 March 2011 which give a true and fair view of the state of affairs of the Company and the Group and the results and cash flows of the Group. In preparing the financial statements for the year ended 31 March 2011, the Directors have adopted suitable accounting policies which are pertinent to the Group's operation and relevant to the financial statements, have made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The Directors' responsibilities for the preparation of the financial statements, and the responsibilities of the auditor to the shareholders, are set out in the auditor's report on page 27.

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investment and the Group's assets.

The Group's internal control system includes a well-defined management structure with limits of authority, comprehensive policies and standards. It is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records, and ensure compliance with relevant legislation and regulations.

During the year ended 31 March 2011, the Board has assessed the effectiveness of the Group's internal control system through (i) conducting regular management meetings to discuss and handle internal control issues; (ii) reviewing the findings made by the auditor in respect of issues encountered during the processes of annual audit and interim review; and (iii) engaging a specialized division of Messrs. Deloitte Touche Tohmatsu to assess the internal controls in respect of certain key business operations of the Group. Based on the results of the assessment, the Board is satisfied with the effectiveness of the internal control system of the Group. Appropriate actions are being taken to address the areas for improvement identified.

# DIRECTORS' REPORT

The Directors of Sun Hing Vision Group Holdings Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011.

## Principal Activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 29 to the consolidated financial statements.

## Results and Appropriations

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 28.

An interim dividend of HK4.5 cents per share of the Company amounting to approximately HK\$11,825,000 and an interim special dividend of HK2.8 cents per share amounting to approximately HK\$7,358,000 were paid to the shareholders of the Company during the year. The Directors now recommend a final dividend of HK10.0 cents per share amounting to approximately HK\$26,278,000 and a final special dividend of HK3.0 cents per share amounting to approximately HK\$7,883,000 to the shareholders of the Company whose names appear on the register of members at the close of business on 7 September 2011.

## Property, Plant and Equipment

Certain of the Group's leasehold land and buildings were revalued at 31 March 2011. The revaluation resulted in a total surplus over their carrying amounts of approximately HK\$2,740,000, which has been credited to the property revaluation reserve in the equity.

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$83,094,000 to maintain the existing plants and upgrade production facilities. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

## Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 66% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 28% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 30% of the Group's total purchases.

At no time during the year did a Director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest suppliers or customers.

## Share Capital

Details of movements in the share capital of the Company during the year are set out in note 21 to the consolidated financial statements.

## Distributable Reserve of the Company

As at 31 March 2011, the Company's reserves available for distribution comprising retained profits of HK\$113,561,000 (2010: HK\$52,933,000).

## Directors

The Directors during the year and up to the date of this report were:

### Executive directors:

Ku Ngai Yung, Otis (*Chairman*)  
Ku Ka Yung (*Deputy Chairman*)  
Ku Ling Wah, Phyllis  
Tsang Wing Leung, Jimson  
Chan Chi Sun  
Ma Sau Ching

### Non-executive director:

Ku Yiu Tung

### Independent non-executive directors:

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

In accordance with Bye-Laws 87(1) and 90 (in the case of Mr. Ku Ngai Yung, Otis) of the Company's bye-laws, Mr. Ku Ka Yung, Ms. Ma Sau Ching, Mr. Ku Yiu Tung and Mr. Lee Kwong Yiu will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining Directors continue in office.

The term of office of each executive, non-executive and independent non-executive Director is not more than three years and subject to retirement by rotation in accordance with the Company's bye-laws.

## Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company. Each of Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung, Mr. Tsang Wing Leung, Jimson and Ms. Ku Ling Wah, Phyllis has entered into a service agreement with the Company for an initial term of two years commencing on 1 May 1999 and continuing thereafter until terminated by not less than three months' prior written notice served by either party.

Each of Mr. Chan Chi Sun and Ms. Ma Sau Ching has entered into a service agreement with the Company for an initial term of two years commencing on 14 December 2001 and continuing thereafter until terminated by not less than three months' prior written notice served by either party.

Mr. Ku Yiu Tung has entered into a service agreement with the Company for a term of three years commencing from 6 September 2004 and continuing thereafter until terminated by not less than three months' prior written notice served by either party.

Each of the independent non-executive Directors, namely Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy, has entered into a service agreement with the Company for a term of three years. The term of Mr. Lo Wa Kei, Roy commenced from 20 September 2004 and continuing thereafter until terminated by not less than three months' prior written notice served by either party. The term of Mr. Lee Kwong Yiu commenced from 4 September 2003 for a term of three years and continuing thereafter until terminated by not less than three months' prior written notice served by either party. The term of Mr. Wong Che Man, Eddy commenced from 21 September 2004 for a term of three years and continuing thereafter until terminated by not less than three months' prior written notice served by either party.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 31 March 2011, 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 of Hong Kong Limited (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%
Ku Ling Wah, Phyllis	–	137,359,382 (Note)	137,359,382	52.27%
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, Ms. Ku Ling Wah, Phyllis and their respective children who are under the age 18.

### 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 31 March 2011, 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.

## 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 new share option scheme (the "New 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 "Listing Rules") in relation to share option schemes. Particulars of the New Share Option Scheme are set out in note 22 to the consolidated financial statements.

During the year ended 31 March 2011 and as at the date of this report, there was no shares in respect of which share options had been granted and remained outstanding under the Old Share Option Scheme. No further share options can be granted upon termination of the Old Share Option Scheme.

Under the New 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 New Share Option Scheme since its adoption.

## Arrangements to Purchase Shares or Debentures

Other than the share options disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Substantial Shareholders

As at 31 March 2011, 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 ( <i>Note 1</i> )	137,359,382	52.27%
Marshvale Investments Limited ( <i>Note 1</i> )	137,359,382	52.27%
HSBC International Trustee Limited ( <i>Notes 1 &amp; 2</i> )	138,177,382	52.58%
FMR LLC ( <i>Note 3</i> )	24,192,000	9.21%
Webb David Michael ( <i>Notes 4 &amp; 5</i> )	21,102,000	8.03%
Preferable Situation Asset Limited ( <i>Note 5</i> )	18,443,000	7.02%

## Substantial Shareholders (continued)

### Notes:

1. As at 31 March 2011, 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. 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 Pyramid Global Advisors LLC, which are wholly owned by FMR LLC.
4. As at 20 July 2010 (i.e. the date of the relevant event as set out in the individual substantial shareholder notice filed on 23 July 2010), of the 21,102,000 shares of the Company held by David Michael Webb, 16,939,000 shares of the Company were held through his wholly owned company, Preferable Situation Assets Limited, while 4,163,000 shares of the Company were held directly by him. By virtue of Preferable Situation Assets Limited's interests in the Company, David Michael Webb is deemed to be interested in the same 16,939,000 shares of the Company held by Preferable Situation Assets Limited under the SFO. (Please also see note 5 below)
5. 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 31 March 2011, 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.

## Appointment of Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

## Emolument Policy

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee"), on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and/or comparable market statistics.

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes are set out in note 22 to the consolidated financial statements.

### **Pre-Emptive Rights**

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **Sufficiency of Public Float**

The Company has maintained a sufficient public float throughout the year ended 31 March 2011.

### **Purchase, Sale Or Redemption of the Company's Listed Shares**

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

### **Corporate Governance**

The corporate governance report is set out on pages 17 to 20.

### **Auditor**

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

**Ku Ngai Yung, Otis**

*Chairman*

Hong Kong, 24 June 2011

# INDEPENDENT AUDITOR'S REPORT

## **Deloitte.** 德勤

### **TO THE MEMBERS 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)*

We have audited the 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 28 to 60, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' Responsibility for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

24 June 2011

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	NOTES	2011 HK\$'000	2010 HK\$'000
Revenue	7	<b>1,125,684</b>	871,823
Cost of sales		<b>(866,089)</b>	(638,891)
Gross profit		<b>259,595</b>	232,932
Other income, gains and losses	8	<b>(9,461)</b>	(3,573)
Selling and distribution costs		<b>(27,435)</b>	(19,870)
Administrative expenses		<b>(112,929)</b>	(117,653)
Profit before taxation		<b>109,770</b>	91,836
Income tax expense	9	<b>(11,527)</b>	(7,472)
Profit for the year attributable to owners of the Company	10	<b>98,243</b>	84,364
<b>Other comprehensive income</b>			
Surplus on revaluation of leasehold land and buildings		<b>2,740</b>	2,200
Deferred tax charge arising on revaluation of leasehold land and buildings		<b>(452)</b>	(363)
Other comprehensive income for the year		<b>2,288</b>	1,837
Total comprehensive income attributable to owners of the Company for the year		<b>100,531</b>	86,201
Earnings per share	14		
Basic and diluted		<b>HK37 cents</b>	HK32 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	2011 HK\$'000	2010 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	<b>297,062</b>	265,220
Prepaid lease payments	16	<b>3,680</b>	3,771
Deposit paid for acquisition of property, plant and equipment		<b>2,086</b>	2,332
		<b>302,828</b>	271,323
<b>CURRENT ASSETS</b>			
Inventories	17	<b>164,988</b>	140,374
Trade and other receivables	18	<b>281,651</b>	248,657
Prepaid lease payments	16	<b>91</b>	91
Tax recoverable		<b>41</b>	–
Bank balances and cash	19	<b>352,617</b>	349,677
		<b>799,388</b>	738,799
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	<b>199,942</b>	161,026
Taxation payable		<b>3,283</b>	479
		<b>203,225</b>	161,505
<b>NET CURRENT ASSETS</b>			
		<b>596,163</b>	577,294
		<b>898,991</b>	848,617
<b>CAPITAL AND RESERVES</b>			
Share capital	21	<b>26,278</b>	26,278
Share premium and reserves		<b>869,462</b>	818,333
		<b>895,740</b>	844,611
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities	23	<b>3,251</b>	4,006
		<b>898,991</b>	848,617

The consolidated financial statements on pages 28 to 60 were approved and authorised for issue by the Board of Directors on 24 June 2011 and are signed on its behalf by:

**Ku Ngai Yung, Otis**  
DIRECTOR

**Ku Ka Yung**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2009	26,278	78,945	18,644	1,904	536	678,089	804,396
Profit for the year	-	-	-	-	-	84,364	84,364
Surplus on revaluation of leasehold land and buildings	-	-	-	2,200	-	-	2,200
Deferred tax charge arising on revaluation of leasehold land and buildings	-	-	-	(363)	-	-	(363)
Other comprehensive income	-	-	-	1,837	-	-	1,837
Total comprehensive income for the year	-	-	-	1,837	-	84,364	86,201
Release upon lapse of share options	-	-	-	-	(536)	536	-
Dividends recognised as distribution (note 13)	-	-	-	-	-	(45,986)	(45,986)
At 31 March 2010	26,278	78,945	18,644	3,741	-	717,003	844,611
Profit for the year	-	-	-	-	-	<b>98,243</b>	<b>98,243</b>
Surplus on revaluation of leasehold land and buildings	-	-	-	<b>2,740</b>	-	-	<b>2,740</b>
Deferred tax charge arising on revaluation of leasehold land and buildings	-	-	-	<b>(452)</b>	-	-	<b>(452)</b>
Other comprehensive income	-	-	-	<b>2,288</b>	-	-	<b>2,288</b>
Total comprehensive income for the year	-	-	-	<b>2,288</b>	-	<b>98,243</b>	<b>100,531</b>
Dividends recognised as distribution (note 13)	-	-	-	-	-	<b>(49,402)</b>	<b>(49,402)</b>
At 31 March 2011	<b>26,278</b>	<b>78,945</b>	<b>18,644</b>	<b>6,029</b>	-	<b>765,844</b>	<b>895,740</b>

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.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK\$'000	2010 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	109,770	91,836
Adjustments for:		
Allowance for inventory	12,038	250
Bad debts recovered	(198)	(174)
Impairment losses recognised on receivables	4,551	1,338
Bank interest income	(1,980)	(1,561)
Depreciation of property, plant and equipment	53,043	50,469
Loss (gain) on disposal of property, plant and equipment	521	(35)
Release of prepaid lease payments	91	92
Operating cash flows before movements in working capital	177,836	142,215
Increase in inventories	(36,652)	(6,705)
(Increase) decrease in trade and other receivables	(37,347)	3,114
Increase in trade and other payables	38,916	26,571
Cash generated from operations	142,753	165,195
Income taxes paid	(10,035)	(5,724)
Income tax refunded	64	–
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>132,782</b>	<b>159,471</b>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(80,762)	(37,057)
Deposit paid for acquisition of property, plant and equipment	(2,086)	(2,332)
Interest received	1,980	1,561
Proceeds on disposal of property, plant and equipment	428	35
Decrease in time deposit	–	11,700
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(80,440)</b>	<b>(26,093)</b>
FINANCING ACTIVITY		
Dividends paid	(49,402)	(45,986)
<b>CASH USED IN THE FINANCING ACTIVITY</b>	<b>(49,402)</b>	<b>(45,986)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,940</b>	<b>87,392</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>349,677</b>	<b>262,285</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR,</b> represented by bank balances and cash	<b>352,617</b>	<b>349,677</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 1. General

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is United Vision International Limited, a company incorporated in British Virgin Islands ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 29 to the consolidated financial statements.

## 2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Right Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of HKFRS 3, HKAS 27 and HKAS 17 has resulted in changes in the Group's accounting policies but has no impact on the consolidated financial statements of the Group for the current and prior years.

The application of the other new and revised standards, amendments and interpretations in the current year has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>3</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>5</sup>
HKAS 24 (as revised in 2009)	Related Party Disclosures <sup>6</sup>
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>6</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRS(s)”) (continued)

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
- <sup>2</sup> Effective for annual periods beginning on or after 1 July 2010.
- <sup>3</sup> Effective for annual periods beginning on or after 1 July 2011.
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2013.
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2012.
- <sup>6</sup> Effective for annual periods beginning on or after 1 January 2011.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. Based on the Group’s financial assets and financial liabilities as at 31 March 2011, the directors anticipate that the application of HKFRS 9 will have no material impact on the consolidated financial statements.

The directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

## 3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain leasehold land and buildings that are measured at revalued amounts as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

### 3. Significant Accounting Policies (continued)

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### Property, plant and equipment

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair values at the date of revaluation, less any subsequent accumulated depreciation and any subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

### 3. Significant Accounting Policies (continued)

#### **Property, plant and equipment (continued)**

Any revaluation increase arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Other property, plant and equipment, other than properties under construction, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment, other than properties under construction, less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, which the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in according with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### ***Buildings under development for future owner-occupied purpose***

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Group as lessee***

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as expensed in the period in which they are incurred.

### 3. Significant Accounting Policies (continued)

#### Leasing (continued)

##### ***Leasehold land and building***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations with functional currency other than the presentation currency of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during the period, in which cases, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

From 1 April 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### 3. Significant Accounting Policies (continued)

#### Retirement benefit costs

Payments to defined contribution retirement benefit scheme, state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses when employees have rendered services entitling them to the contributions.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

### 3. Significant Accounting Policies (continued)

#### **Impairment losses on tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of impairment loss is treated as a revaluation increase under that standard.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### **Financial assets**

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

### 3. Significant Accounting Policies (continued)

#### Financial instruments (continued)

##### Financial assets (continued)

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on loans and receivables below).

###### *Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loan and receivable, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days to 90 days, observable changes in national or local economic conditions that correlate with default on trade receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loan and receivable is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### 3. Significant Accounting Policies (continued)

#### Financial instruments (continued)

##### **Financial liabilities and equity**

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

##### *Financial liabilities*

Financial liabilities representing trade and other payables are subsequently measured at amortised cost, using the effective interest method.

##### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### **Equity-settled share-based payment transactions**

##### **Share options granted to employees**

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in share option reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

#### **4. Key Sources of Estimation Uncertainty**

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

##### **Estimated impairment of trade receivable**

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2011, the carrying amount of trade receivables is HK\$273,804,000 (31 March 2010: HK\$241,103,000).

##### **Inventory valuation**

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Market price of merchandises is generally the selling price of similar items transacted in the market. The Group reviews its inventory levels in order to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount, the Group accounts for the inventory loss in the profit or loss as write down of inventories. Included in cost of sales is an amount of approximately HK\$12,038,000 (2010: HK\$250,000) in respect of a write-down of raw materials, work in progress and finished goods to their estimated net realisable values.

#### **5. Capital Risk Management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends.

## 6. Financial Instruments

### 6a. Categories of financial instruments

	2011 HK\$'000	2010 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<b>630,213</b>	594,938
<b>Financial liabilities</b>		
Amortised cost	<b>143,561</b>	113,695

### 6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Market risk**

##### (i) *Currency risk*

The Group has foreign currency sales and purchases denominated in United States dollars ("USD"), Renminbi ("RMB"), Euro ("EUR") and Japanese Yen ("JPY"), which expose the Group to market risk arising from changes in foreign exchange rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
USD	<b>584,527</b>	548,527	<b>35,564</b>	19,608
RMB	<b>16,424</b>	14,828	<b>47,214</b>	42,153
EUR	<b>693</b>	1,997	<b>6,812</b>	5,213
JPY	<b>894</b>	4,297	<b>2,723</b>	3,600

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

## 6. Financial Instruments (continued)

### 6b. Financial risk management objectives and policies (continued)

#### **Market risk (continued)**

##### (i) *Currency risk (continued)*

###### Sensitivity analysis

The Group is mainly exposed to the fluctuation of relevant foreign currency against Hong Kong Dollars ("HKD").

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currency against the functional currency of the relevant group entities (i.e. HKD). 5% represents the reasonably possible change in foreign exchange rates if currency risk is to be assessed by key management. The sensitivity analysis includes only outstanding relevant foreign currency denominated monetary items except USD as the directors consider that the Group's exposure to USD is insignificant on the ground that HKD is pegged to USD. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the relevant foreign currency weakens 5% against HKD. For a 5% strengthening of the relevant foreign currency against HKD, there would be an equal and opposite impact on the profit.

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
RMB impact	<b>1,285</b>	1,141
EUR impact	<b>255</b>	134
JPY impact	<b>76</b>	(29)

##### (ii) *Interest rate risk*

The Group's exposures to interest rates on financial assets are detailed in the liquidity risk management section of this note.

The directors consider the Group's exposure of the bank balances to interest rate risk is insignificant as interest bearing bank balances are within short maturity period. Besides, as the fluctuation of market interest rate is not expected to be significant, no sensitivity analysis is prepared.

#### **Credit risk**

As at 31 March 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is represented by the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables and bank balances.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

## 6. Financial Instruments (continued)

### 6b. Financial risk management objectives and policies (continued)

#### **Credit risk (continued)**

The Group has concentration of credit risks with exposure limited to certain counterparties and customers. At the end of reporting period, five customers that are located in Europe accounted for HK\$178,538,000 (31 March 2010: HK\$167,176,000) of the Group's trade receivables. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

#### **Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the non-derivative financial liabilities are based on agreed repayment dates. The table includes principal cash flows as these financial liabilities are non-interest bearing.

#### *Liquidity table*

	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2011 HK\$'000
<b>2011</b>					
<b>Non-derivative financial instruments</b>					
Trade and other payables	41,119	99,820	2,622	143,561	143,561
	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2010 HK\$'000
<b>2010</b>					
<b>Non-derivative financial instruments</b>					
Trade and other payables	67,243	42,640	3,812	113,695	113,695

### 6c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values at the end of the reporting period.

## 7. Segment Information

Whilst the chief operating decision maker, the Company's executive directors, regularly reviews revenue by geographical location of customers, information about profit or loss by geographical location of customers is not provided to the executive directors for their review. Financial information reported to the executive directors for the purposes of resource allocation and performance assessment 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 reference to the consolidated statement of comprehensive income.

The Group's revenue are arising from manufacturing and sales of optical frames, sunglasses and related products.

### Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The Group's information about its non-current assets by geographical location of the assets and revenue from external customers analysed by place of domicile of the relevant group entity and other places are detailed below:

	<b>Non-current assets</b>	
	<b>2011 HK\$'000</b>	2010 HK\$'000
Places of domicile of the relevant group entity:		
– Hong Kong	<b>22,234</b>	19,079
– The PRC	<b>149,701</b>	98,061
Other place:		
– The PRC	<b>130,893</b>	154,183
	<b>302,828</b>	271,323

	<b>Revenue from external customers</b>	
	<b>2011 HK\$'000</b>	2010 HK\$'000
Place of domicile of the relevant group entity:		
– Hong Kong	<b>8,869</b>	7,655
Other places:		
Italy	<b>453,118</b>	348,199
United States	<b>379,803</b>	298,177
Other countries	<b>283,894</b>	217,792
	<b>1,125,684</b>	871,823

### Information about major customers

Each of the two (2010: two) largest customers of the Group contributes more than 10% of the Group's revenue for the current year. Revenue of approximately HK\$311,645,000 and HK\$163,403,000 is attributed to these two customers, respectively, for the year ended 31 March 2011 (2010: approximately HK\$224,047,000 and HK\$173,293,000, respectively).

## 8. Other Income, Gains and Losses

	2011 HK\$'000	2010 HK\$'000
Bank interest income	1,980	1,561
Bad debts recovered	198	174
Impairment losses recognised on receivables	(4,551)	(1,338)
Net foreign exchange losses	(7,218)	(4,868)
(Loss) gain on disposal of property, plant and equipment	(521)	35
Others	651	863
	<b>(9,461)</b>	<b>(3,573)</b>

## 9. Income Tax Expense

	2011 HK\$'000	2010 HK\$'000
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	11,433	9,156
– PRC Enterprise Income Tax	1,304	40
	<b>12,737</b>	<b>9,196</b>
(Over) underprovision in previous years		
– Hong Kong Profits Tax	(65)	171
– PRC Enterprise Income Tax	62	–
	<b>(3)</b>	<b>171</b>
	<b>12,734</b>	<b>9,367</b>
Deferred taxation ( <i>note 23</i> )		
– Current year	(1,207)	(1,895)
	<b>11,527</b>	<b>7,472</b>

## 9. Income Tax Expense (continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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.

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, 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 years.

Pursuant to the relevant laws and regulations in the PRC, two PRC subsidiaries of the Group are exempted from PRC income tax for two years, followed by a 50% reduction for the next three years. One of the above PRC subsidiaries enjoyed full tax exemption for the year ended 31 March 2010 and enjoyed a 50% tax reduction during the year ended 31 March 2011. No provision for PRC income tax has been made for the other PRC subsidiaries as they did not have any assessable profit for both years.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2011 HK\$'000	2010 HK\$'000
Profit before taxation	<b>109,770</b>	91,836
Tax at the Hong Kong Profits Tax rate of 16.5%	<b>18,112</b>	15,153
Tax effect of expenses not deductible in determining taxable profit	<b>1,274</b>	214
Tax effect of income not assessable in determining taxable profit	<b>(317)</b>	(257)
(Over)underprovision in respect of prior years	<b>(3)</b>	171
Tax effect of Hong Kong Profits Tax on 50: 50 apportionment basis	<b>(9,206)</b>	(6,519)
Tax effect of tax losses not recognised	<b>2,089</b>	–
Utilisation of tax losses previously not recognised	<b>(4)</b>	(584)
Effect of tax exemption granted to a PRC subsidiary	<b>–</b>	(864)
Income tax on concessionary rate	<b>(861)</b>	–
Effect of different tax rates of operation in the PRC	<b>443</b>	158
Tax charge for the year	<b>11,527</b>	7,472

Details of the deferred taxation are set out in note 23.

## 10. Profit for the Year

	2011 HK\$'000	2010 HK\$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	1,280	1,280
Cost of inventories recognised as expense	866,089	638,891
Depreciation of property, plant and equipment	53,043	50,469
Release of prepaid lease payments	91	92
Staff cost		
– directors' emoluments ( <i>note 11</i> )	4,863	4,661
– other staff costs, comprising mainly salaries	329,037	233,356
– retirement benefit scheme contribution excluding those of directors'	16,151	9,874
	<b>350,051</b>	247,891

## 11. Directors' Emoluments

The emoluments paid or payable to each of the ten (2010: ten) directors were as follows:

	Year ended 31 March 2011			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contribution HK\$'000	
<b>Executive directors</b>				
Ku Ngai Yung, Otis	36	472	12	520
Ku Ka Yung	56	450	12	518
Ku Ling Wah, Phyllis	120	267	18	405
Tsang Wing Leung, Jimson	516	268	31	815
Chan Chi Sun	602	314	35	951
Ma Sau Ching	670	390	36	1,096
	<b>2,000</b>	<b>2,161</b>	<b>144</b>	<b>4,305</b>
<b>Non-executive director</b>				
Ku Yiu Tung	198	–	–	198
<b>Independent non-executive directors</b>				
Lo Wa Kei, Roy	120	–	–	120
Lee Kwong Yiu	120	–	–	120
Wong Che Man, Eddy	120	–	–	120
	<b>360</b>	<b>–</b>	<b>–</b>	<b>360</b>
	<b>2,558</b>	<b>2,161</b>	<b>144</b>	<b>4,863</b>

## 11. Directors' Emoluments (continued)

	Year ended 31 March 2010			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contribution HK\$'000	
<b>Executive directors</b>				
Ku Ngai Yung, Otis	36	472	12	520
Ku Ka Yung	56	450	12	518
Ku Ling Wah, Phyllis	105	281	19	405
Tsang Wing Leung, Jimson	433	294	29	756
Chan Chi Sun	576	294	33	903
Ma Sau Ching	624	342	35	1,001
	1,830	2,133	140	4,103
<b>Non-executive director</b>				
Ku Yiu Tung	198	–	–	198
<b>Independent non-executive directors</b>				
Lo Wa Kei, Roy	120	–	–	120
Lee Kwong Yiu	120	–	–	120
Wong Che Man, Eddy	120	–	–	120
	360	–	–	360
	2,388	2,133	140	4,661

No directors waived any emoluments in both years.

## 12. Employees' Emoluments

The five individuals with the highest emoluments in the Group included three (2010: three) directors of the Company whose emoluments are set out in note 11. The emoluments of the remaining two (2010: two) individuals were as follows:

	2011 HK\$'000	2010 HK\$'000
Salaries and other benefits	2,218	1,282
Contribution to retirement benefits schemes	22	38
	2,240	1,320

Their emoluments were within the following band:

	2011 Number of employees	2010 Number of employees
HK\$nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	2	–

During the years ended 31 March 2011 and 31 March 2010, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### 13. Dividends

	2011 HK\$'000	2010 HK\$'000
Dividends recognised as distribution during the year:		
Final, paid – HK10.0 cents per share for 2010 (2010: HK10.0 cents per share for 2009)	26,278	26,278
Special final, paid – HK1.5 cents per share for 2010 (2010: HK1.5 cents per share for 2009)	3,941	3,941
Interim, paid – HK4.5 cents per share for 2011 (2010: HK4.5 cents per share for 2010)	11,825	11,825
Special interim, paid – HK2.8 cents per share for 2011 (2010: HK1.5 cents per share for 2010)	7,358	3,942
	<b>49,402</b>	45,986

A final dividend of HK10.0 cents (2010: HK10.0 cents) per share in total of HK\$26,278,000 (2010: HK\$26,278,000) and a special final dividend of HK3.0 cents (2010: HK1.5 cents) per share in total of HK\$7,883,000 (2010: HK\$3,941,000) in respect of the year ended 31 March 2011 have been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

### 14. Earnings Per Share

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

	2011 HK\$'000	2010 HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	98,243	84,364
<b>Number of shares</b>		
Number of ordinary shares for the purposes of basic and diluted earnings per share	262,778,286	262,778,286

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price of its shares for the year ended 31 March 2010. There were no outstanding share options throughout the year ended 31 March 2011.

## 15. Property, Plant and Equipment

	Leasehold land and buildings in Hong Kong under medium- term leases HK\$'000	Buildings in the PRC under medium-term leases HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Properties under construction HK\$'000	Total HK\$'000
<b>COST OR VALUATION</b>								
At 1 April 2009	10,000	83,947	112,661	276,046	86,732	6,468	10,033	585,887
Additions	–	–	9,396	17,144	4,645	1,471	4,401	37,057
Surplus on revaluation	2,000	–	–	–	–	–	–	2,000
Transfers	–	–	2,768	1,332	65	–	(4,165)	–
Adjustment on valuation	–	(1,874)	–	–	–	–	–	(1,874)
Disposals	–	–	–	–	–	(269)	–	(269)
At 31 March 2010	12,000	82,073	124,825	294,522	91,442	7,670	10,269	622,801
Additions	–	–	8,083	33,364	14,135	407	27,105	83,094
Surplus on revaluation	2,500	–	–	–	–	–	–	2,500
Transfers	–	–	12,205	6,550	1,262	–	(20,017)	–
Adjustment on valuation	–	(1,876)	–	–	–	–	–	(1,876)
Disposals	–	–	–	(1,896)	–	(813)	–	(2,709)
At 31 March 2011	14,500	80,197	145,113	332,540	106,839	7,264	17,357	703,810
Comprising:								
At cost – 2011	–	–	145,113	332,540	106,839	7,264	17,357	609,113
At valuation – 2011	14,500	80,197	–	–	–	–	–	94,697
	14,500	80,197	145,113	332,540	106,839	7,264	17,357	703,810
Comprising:								
At cost – 2010	–	–	124,825	294,522	91,442	7,670	10,269	528,728
At valuation – 2010	12,000	82,073	–	–	–	–	–	94,073
	12,000	82,073	124,825	294,522	91,442	7,670	10,269	622,801
<b>DEPRECIATION</b>								
At 1 April 2009	–	–	54,840	182,142	67,565	4,908	–	309,455
Provided for the year	200	1,874	14,367	25,885	7,297	846	–	50,469
Eliminated on revaluation	(200)	–	–	–	–	–	–	(200)
Adjustment on valuation	–	(1,874)	–	–	–	–	–	(1,874)
Eliminated on disposals	–	–	–	–	–	(269)	–	(269)
At 31 March 2010	–	–	69,207	208,027	74,862	5,485	–	357,581
Provided for the year	240	1,876	16,792	25,392	8,061	682	–	53,043
Eliminated on revaluation	(240)	–	–	–	–	–	–	(240)
Adjustment on valuation	–	(1,876)	–	–	–	–	–	(1,876)
Eliminated on disposals	–	–	–	(947)	–	(813)	–	(1,760)
At 31 March 2011	–	–	85,999	232,472	82,923	5,354	–	406,748
<b>CARRYING VALUES</b>								
At 31 March 2011	14,500	80,197	59,114	100,068	23,916	1,910	17,357	297,062
At 31 March 2010	12,000	82,073	55,618	86,495	16,580	2,185	10,269	265,220

## 15. Property, Plant and Equipment (continued)

The above items of property, plant and equipment, other than properties under construction, are depreciated on a straight line basis at the following rates per annum:

Buildings	Over the estimated useful lives of 50 years or the term of leases, whichever is shorter
Leasehold improvements	10% – 20% or the lease term, whichever is shorter
Plant and machinery	10% – 20%
Furniture and fixtures	20%
Motor vehicles	20%

The fair values of the Group's leasehold land and buildings located in Hong Kong and buildings located in the PRC at 31 March 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. BMI Appraisals Limited is a member of the Hong Kong Institute of Surveyors. The valuation of the leasehold land and buildings located in Hong Kong was arrived at by reference to market evidence of recent transaction prices for similar properties. The valuation of the buildings in the PRC was arrived at on the depreciated replacement cost basis.

During the year ended 31 March 2011, the total surplus on revaluation of HK\$2,740,000 (2010: surplus on revaluation of HK\$2,200,000) has been credited to the property revaluation reserve in equity.

If the leasehold land and buildings located in Hong Kong and PRC had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of approximately HK\$5,883,000 (2010: HK\$6,043,000) for land and buildings located in Hong Kong and HK\$80,197,000 (2010: HK\$82,073,000) for buildings located in PRC.

With respect to the land and buildings situated in Hong Kong under medium-term leases, the directors are of the opinion that the allocation of cost between the land and building elements cannot be made reliably. Accordingly, the leasehold land has not been separately presented as prepaid lease payments.

## 16. Prepaid Lease Payments

Prepaid lease payments represent land use rights held under medium-term lease in the PRC and are analysed for reporting purposes as:

	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000
Non-current asset	<b>3,680</b>	3,771
Current asset	<b>91</b>	91
	<b>3,771</b>	3,862

## 17. Inventories

	2011 HK\$'000	2010 HK\$'000
Raw materials	59,098	39,654
Work in progress	88,982	86,330
Finished goods	16,908	14,390
	<b>164,988</b>	140,374

## 18. Trade and Other Receivables

The Group allows a credit period of 30 to 90 days to its customers. The following is an aged analysis of trade receivables at the end of the reporting period:

	2011 HK\$'000	2010 HK\$'000
Trade receivables		
Current	241,305	210,115
Overdue up to 90 days	29,341	29,293
Overdue more than 90 days	3,158	1,695
	<b>273,804</b>	241,103
Prepayments	4,055	3,396
Other receivables	3,792	4,158
	<b>281,651</b>	248,657

The Group's trade and other receivables that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2011 HK\$'000	2010 HK\$'000
USD	270,096	234,574
RMB	2,179	3,046
EUR	308	1,446
JPY	-	2,607

## 18. Trade and Other Receivables (continued)

No interest is charged on the trade receivables. The Group has provided fully for all receivables over 360 days because historical experience is such that receivables that are past due beyond 360 days are generally not recoverable. Trade receivables that are past due beyond 60 days but within 360 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined with reference to past default experience.

Before accepting any new customer, the Group carries out research on the creditability of new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed at least once a year. Trade receivables that are neither past due nor impaired have good track records with the Group.

Included in the Group's trade receivables balance are receivables with a carrying amount of HK\$32,499,000 (2010: HK\$30,988,000) which are past due at the reporting date for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

### Movement in the allowance for doubtful debts

	2011 HK\$'000	2010 HK\$'000
1 April	–	–
Impairment losses recognised on receivables	4,551	1,338
Amounts written off as uncollectible	(4,551)	(1,338)
31 March	–	–

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of trade receivable from the date credit was initially granted up to the end of the reporting period.

## 19. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits that are interest-bearing at variable market interest rates ranging from 0.01% to 1.60% (2010: 0.01% to 2.00%) per annum and have maturity of three months or less.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Bank balance	
	2011 HK\$'000	2010 HK\$'000
USD	314,431	313,953
RMB	14,245	11,782
EUR	385	551
JPY	894	1,690

## 20. Trade and Other Payables

The following is an aged analysis of trade payables at the end of the reporting period:

	2011 HK\$'000	2010 HK\$'000
Trade payables		
Current and overdue up to 90 days	134,116	103,591
Overdue more than 90 days	3,332	5,293
	<b>137,448</b>	108,884
Accruals	56,381	47,331
Other payables	6,113	4,811
Trade and other payables	<b>199,942</b>	161,026

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group's trade and other payables that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2011 HK\$'000	2010 HK\$'000
USD	35,564	19,608
RMB	47,214	42,153
EUR	6,812	5,213
JPY	2,723	3,600

## 21. Share Capital

	Number of ordinary shares	Nominal amount HK\$'000
Ordinary shares of HK\$0.10 each		
<b>Authorised:</b>		
At 1 April 2009, 31 March 2010 and 31 March 2011	500,000,000	50,000
<b>Issued and fully paid:</b>		
At 1 April 2009, 31 March 2010 and 31 March 2011	262,778,286	26,278

## 22. 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 new share option scheme (the "New Share Option Scheme") was adopted in order to comply with the amendments to Chapter 17 of the Listing Rules in relation to share option scheme.

### Old Share Option Scheme

The Company's Old Share Option Scheme was adopted for the primary purpose of providing incentives to eligible employees and expired on 6 September 2004. Under the Old Share Option Scheme, the board of directors of the Company may at their discretion grant options to eligible full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Old Share Option Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point of time but excluding shares issued pursuant to the Old Share Option Scheme. No employee shall be granted a share option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under the Old Share Option Scheme.

Options granted must be taken up before the date specified in the offer and the expiry of the Old Share Option Scheme, whichever is the earlier, upon payment of HK\$10 per grant of options. Options may generally be exercised at any time from the date of grant to the earlier of the fifth anniversary of the date of grant and the tenth anniversary of the date of adoption of the Old Share Option Scheme. No option may be granted to an individual until he or she shall have completed half year's full-time service with the Company or its subsidiaries. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the shares of the Company and 80% of the average closing price of the shares for the five trading days immediately preceding the date of grant. No further share options can be granted upon termination of the Old Share Option Scheme but the existing outstanding share options will continue to be valid and exercisable in accordance with the provisions of the Old Share Option Scheme.

The Old Share Option Scheme expired on 1 April 2009. The following tables disclose details of the Company's share options which were granted under the Old Share Option Scheme held by employees during the years ended 31 March 2010:

Option type	Date of grant	Exercisable period	Number of share options				Exercise price HK\$
			Outstanding at 1.4.2009	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2010	
2004 – employees	2 April 2004	2 April 2004 to 1 April 2009 (Notes 1 & 2)	1,100,000	–	(1,100,000)	–	3.50
Exercisable at the end of year			1,100,000			–	

Notes:

- All the options have been vested immediately.
- Each grantee might only exercise his/her option to subscribe for up to 35% of the total number of shares pursuant to the option granted to him/her after 2 April 2005. The remaining balance, together with the balance (if any) that he/she had not exercised previously would be exercisable by him/her after 2 April 2007.

## 22. Share Options (continued)

### New Share Option Scheme

The purpose of the New Share Option Scheme is to attract and retain high calibre employees, and to motivate them towards higher levels of performance. Under the New Share Option Scheme, the board of directors of the Company shall be entitled to, in its absolute discretion, grant options to eligible employees of the Company, or any of its subsidiaries, to subscribe for shares in the Company at a price which shall be the highest of (i) the closing price of the Company's shares quoted on the Stock Exchange on the date of offer of the share options; (ii) the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five business days immediately preceding the date of offer of the share options; and (iii) the nominal value of the shares. The New Share Option Scheme will expire on 5 September 2014.

An option may be exercised at any time during the period to be determined and notified by the board of directors to the grantee. Such period may commence on the date after the date of acceptance of such option to the tenth anniversary from the date of acceptance of that option. A consideration of HK\$1 is payable upon acceptance of the offer.

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and any other share option scheme established by the Company, if any, is 24,723,920, representing 10% of the issued share capital of the Company at the date of approval of the New Share Option Scheme. The total maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme, if any, shall not exceed 10% of the issued share capital of the Company from time to time.

No share options have been granted, exercised, cancelled or lapsed under the New Share Option Scheme since its adoption.

## 23. Deferred Tax Liabilities

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years:

	<b>Accelerated tax depreciation</b> HK\$'000	<b>Revaluation of properties</b> HK\$'000	<b>Total</b> HK\$'000
At 1 April 2009	5,047	491	5,538
Charge to equity for the year	–	363	363
Credit to profit or loss	(1,895)	–	(1,895)
At 31 March 2010	3,152	854	4,006
Charge to equity for the year	–	452	452
Credit to profit or loss	(1,207)	–	(1,207)
At 31 March 2011	1,945	1,306	3,251

At 31 March 2011, the Group has unused tax losses of HK\$26,556,000 (2010: HK\$13,923,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$6,329,000 (2010: HK\$12,099,000) that will expire in five years. Other tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, 10% withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards to non-PRC resident investors of the companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to such undistributed profits of the PRC subsidiaries amounting to HK\$6,038,000 (2010: HK\$7,143,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 24. Operating Leases

The Group made minimum lease payments of approximately HK\$8,591,000 (2010: HK\$10,601,000) under operating leases during the year in respect of premises.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 HK\$'000	2010 HK\$'000
Within one year	6,063	8,357
In the second to fifth year inclusive	4,848	5,779
Over five years	4,364	4,607
	<b>15,275</b>	18,743

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated for an average term of one to twenty years and rentals are fixed over the lease terms.

## 25. Capital and Other Commitments

	2011 HK\$'000	2010 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of plant and machinery	8,632	5,903
– Factory under construction or renovation	2,321	10,204
	<b>10,953</b>	16,107
Commitments contracted for but not provided in the consolidated financial statements in respect of license fee for brandnames:		
Within one year	6,292	5,677
In the second to fifth year inclusive	10,027	6,756
	<b>16,319</b>	12,433
	<b>27,272</b>	28,540

## 26. Retirement Benefits Scheme

Effective from 1 December 2000, the Group has joined the MPF Scheme for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The employees employed in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect of the retirement benefits schemes is to make the required contributions under the schemes.

## 26. Retirement Benefits Scheme (continued)

During the year ended 31 March 2011, the Group operated a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for certain employees. The assets of the scheme were held in funds under the control of an independent trustee. Where there were employees who leave the Defined Contribution Scheme prior to vesting, the contribution payable by the Group are reduced by the amount of forfeited contributions.

The retirement benefit scheme contribution arising from the Defined Contribution Scheme, the MPF Scheme and the PRC state-managed retirement benefit scheme charged to profit or loss represent contributions paid and payable to the funds by the Group at rates specified in the rules of the schemes.

The total cost charged to profit or loss of HK\$16,295,000 (2010: HK\$10,014,000) represents contributions paid and payable to these schemes by the Group in respect of the current financial year.

## 27. Related Party Transactions Compensation of key management personnel

Key management personnel of the Group mainly comprised of directors. The compensation of directors of the Company for both years are set out in note 11 to the consolidated financial statements.

The remuneration of key management personnel were determined by the remuneration committee having regard to the performance of individuals and market trends.

## 28. Summarised Financial Information of the Company

Note	2011 HK\$'000	2010 HK\$'000
Investment in a subsidiary	111,968	111,968
Amounts due from subsidiaries	158,852	161,539
Other assets	55,065	47,020
Amounts due to subsidiaries	(106,821)	(162,241)
Other liabilities	(280)	(130)
Net assets	218,784	158,156
Share capital	26,278	26,278
Reserves (a)	192,506	131,878
	218,784	158,156

Note:

### (a) Reserves

	Share premium HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2009	78,945	662	41,718	121,325
Profit and total comprehensive income for the year	–	–	56,539	56,539
Release upon lapse of share options	–	(662)	662	–
Dividends recognised as distribution (note 13)	–	–	(45,986)	(45,986)
At 31 March 2010	78,945	–	52,933	131,878
Profit and total comprehensive income for the year	–	–	110,030	110,030
Dividends recognised as distribution (note 13)	–	–	(49,402)	(49,402)
At 31 March 2011	78,945	–	113,561	192,506

## 29. Particulars of Subsidiaries of the Company

Particulars of the principal subsidiaries of the Company at 31 March 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company	Principal activities
Sun Hing Optical International Group Limited ( <i>note a</i> )	BVI	HK\$106	100%	Investment holding
101 (Hong Kong) Limited	Hong Kong	HK\$4	100%	Sales of optical frames, sunglasses and related products
101 Studio Limited	Hong Kong	HK\$9	100%	Sales of optical frames, sunglasses and related products
New Prosperity Optical Manufactory Limited	BVI/PRC	US\$1	100%	Property holding
Sun Hing Optical Manufactory Limited	Hong Kong	HK\$2	100%	Manufacturing and sales of optical frames, sunglasses and related products
Yorkshire Holdings Limited	Hong Kong	HK\$10	100%	Property holding
東莞恒生眼鏡制造有限公司 ( <i>note b</i> )	PRC	HK\$2,500,000	100%	Manufacturing of optical frames, sunglasses and related products
紫金縣新基眼鏡五金配件有限公司 ( <i>note b</i> )	PRC	HK\$55,000,000 (2010: HK\$50,000,000)	100%	Manufacturing of optical frames, sunglasses and related products
東莞新溢眼鏡制造有限公司 ( <i>note b</i> )	PRC	US\$19,000,000 (2010: US\$9,200,000)	100%	Manufacturing of optical frames, sunglasses and related products

*Notes:*

- (a) Sun Hing Optical International Group Limited is directly held by the Company and all other subsidiaries are indirectly held.
- (b) The subsidiaries established in the PRC are registered as wholly foreign owned enterprises.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities subsisting at 31 March 2011 and 2010 or at any time during the year.

# FINANCIAL SUMMARY

## Results

	Year ended 31 March				2011 HK\$'000
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	
Revenue	965,990	1,044,024	1,063,178	871,823	<b>1,125,684</b>
Profit before taxation	138,428	156,279	125,049	91,836	<b>109,770</b>
Income tax expenses	(12,526)	(14,858)	(10,014)	(7,472)	<b>(11,527)</b>
Profit for the year	125,902	141,421	115,035	84,364	<b>98,243</b>

## Assets and Liabilities

	At 31 March				2011 HK\$'000
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	
Total assets	812,510	935,447	944,389	1,010,122	<b>1,102,216</b>
Total liabilities	(164,510)	(193,360)	(139,993)	(165,511)	<b>(206,476)</b>
Shareholders' equity	648,000	742,087	804,396	844,611	<b>895,740</b>

# CORPORATE INFORMATION

## **Board of Directors**

### **Executive Directors**

Ku Ngai Yung, Otis – *Chairman*  
Ku Ka Yung – *Deputy Chairman*  
Tsang Wing Leung, Jimson  
Ku Ling Wah, Phyllis  
Chan Chi Sun  
Ma Sau Ching

### **Non-executive Director**

Ku Yiu Tung

### **Independent Non-executive Directors**

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

### **Company Secretary**

Yung Yun Sang, Simon

### **Auditor**

Deloitte Touche Tohmatsu

### **Legal Adviser in Hong Kong**

King & Wood

### **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**

HSBC Securities Services (Burmuda) Limited  
6 Front Street  
Hamilton HM 11  
Bermuda

### **Hong Kong Branch Share Registrar**

Union Registrars Limited  
18th Floor  
Fook Lee Commercial Centre  
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](http://www.sunhingoptical.com)

A stylized, cursive logo for Sun Hing Vision Group Holdings Limited. The word "Sun Hing" is written in a fluid, handwritten style with a large, sweeping 'S' at the beginning and a long, trailing 'g' at the end.

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