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SUN HING VISION GROUP HOLDINGS LIMITED

Annual Report 2006/07

新興光學集團控股有限公司二零零六年至二零零七年年報

STOCK CODE 股份代號: 125

Corporate Profile

It takes a **unique** style of management to run a company as successful as Sun Hing in today's eyewear products market. Call it out-of the-box thinking – lateral thinking for a multidimensional view – or simply tackling challenges head-on.

Sun Hing senior managers are Open-minded knowledge seekers who push the envelope in all aspects of their business. They are committed to melding new and old ways of doing things throughout the organization to achieve their mission to be a premiere global eyewear designer, manufacturer and marketer.

Delighting people with their eyewear designs – and turning them into loyal customers – is how they've built Sun Hing into a leading force in the eyewear marketplace. Whether customers want to convey trendy, elegant, serious or fun, Sun Hing helps them do it in a captivating way that creates an impression that sticks. Working collaboratively, Sun Hing teams apply the **latest in design, technology and materials** to develop durable eyewear products that fit a wide range of customer personalities.

Contents

EMBRACING BEST PRACTICES TO SUSTAIN SUPERIOR PERFORMANCE

THE SUN HING TRADITION OF CREATING EXCITING EYEWEAR IS A BIG PART OF THE COMPANY'S SUCCESS STORY – BUT IT'S NOT THE WHOLE STORY. ITS HONG KONG HEADQUARTERS PUTS IT NEAR TARGET CUSTOMERS IN SOME OF THE WORLD'S FASTEST-GROWING ECONOMIES AND ALLOWS THEM TO WORK CLOSELY WITH MEMBERS OF ITS SUPPLY CHAIN. AT THE SAME TIME, HONG KONG'S POSITION AS AN IMPORTANT CROSSROADS OF THE GLOBAL ECONOMY PROVIDES NUMEROUS ADVANTAGES...

THE SUN HING MANAGEMENT TEAM IS FOCUSED ON INCREASING PRODUCTIVITY IN BUSINESS PROCESSES THROUGHOUT THE COMPANY. THEY EMBRACE ALL THINGS DIGITAL AND SEEK OUT ADVANCED SOFTWARE AND DATABASE APPLICATIONS THAT CAN HELP THEM MAINTAIN A COMPETITIVE EDGE. THEY AVAIL THEMSELVES OF POWERFUL TOOLS AND EXPERT ADVICE WHEREVER POSSIBLE IN THEIR ONGOING EFFORTS TO DRIVE STAKEHOLDER VALUE.

VALUES

Seeing the World Through an Employee-centric Lens

Our employees are the **heart and soul** of our company. When you work at Sun Hing, you are part of an interdisciplinary team of artists and design engineers, as well as marketers and administrators, who thrive on collaboration and communication. Everyone here shares Sun Hing's commitment to the highest level of professional **ethics**. And everyone is driven by our mission to design, manufacture and sell alluring eyewear that people have to have.

SUN HING STRIVES TO ELEVATE THE EMPLOYEE EXPERIENCE BY CREATING A POSITIVE, NURTURING ENVIRONMENT. OUR MANAGERS ENCOURAGE PROFESSIONAL DEVELOPMENT AND FOSTER CONTINUOUS LEARNING AND CREATIVE RISK-TAKING. AT SUN HING, IT'S AN APPROACH THAT WORKS: OUR EMPLOYEES ARE THE BRAINS BEHIND SOME OF THE MOST INTRIGUING AND INGENIOUS METAL AND PLASTIC OPHTHALMIC FRAMES AND SUNGLASSES ON THE MARKET TODAY.

Sun Hing will continue with this proven formula **for pushing creative boundaries** and delivering **fresh** concepts that shape the fashion scene and set us apart in the marketplace.

Chic

OUR BELIEF

IDEAS, IDEAS AND IDEAS – EVERY DESIGN STARTS WITH AN IDEA. BEFORE WE PONDER ON A NEW DESIGN, WE FIRST EMBRACE THE LIFE OF MANKIND. AFTER ALL, WHAT GOOD IS A DESIGN IF IT DOES NOT SPEAK ONE'S MIND?

PRODUCT IS THE CREATION OF A DREAM + AN IMAGINATION + AN EXPERIENCE!

IT IS DESIGN OF A LIFESTYLE, A DESIGN FOR LIFE. A GOOD PRODUCT SHOWS UNDERSTANDING OF AN INDIVIDUAL'S NEED AND SATISFIES THAT NEED. AN OUTSTANDING PRODUCT DOES THE SAME AND MORE. IT MATCHES AN INDIVIDUAL'S LIFESTYLE, AND SPEAKS FOR HIS/HER PERSONALITY AND PHILOSOPHY ON LIFE. WE DO NOT DESIGN GOOD PRODUCTS. ONLY OUTSTANDING PRODUCTS.

AT SUN HING, WE HAVE A TEAM OF EXCEPTIONALLY TALENTED DESIGNERS WHO DARE TO DREAM THE IMPOSSIBLE; WE CANNOT BE MORE PROUD OF THEM. NEVERTHELESS, DESIGN DOES NOT COME FROM DESIGNERS ALONE. IT HAS ITS ROOT IN LIFE. DESIGNERS OBSERVE, WHILE LIFE INSPIRES. WE CREATE PRODUCTS TO MAKE PEOPLE SEE BETTER, LOOK BETTER AND FEEL BETTER.

IN BRINGING AN OUTSTANDING DESIGN TO LIFE, WE ARE CONTRIBUTING TO A MORE BEAUTIFUL WORLD.


Unique

OUR BRANDS

OUR BRAND PORTFOLIO HAS EVOLVED INTO SOMETHING TRULY DIVERSE AND INTERESTING, COVERING DISTINGUISHED MARKET SEGMENTS. WHILE **CELINE DION** EYES APPEALS TO CUSTOMERS LOOKING FOR FEMININE AND ROMANTIC STYLES, **COUR CARRE** AND **JILL STUART** WIN THE HEART OF THOSE WHO EMBRACE URBAN CHIC WITH SUBTLE TWISTS.

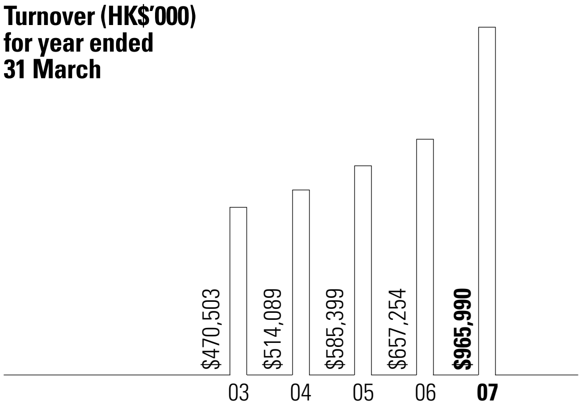
THE YOUNG AND OUTGOING FIND THEIR VOICES IN LEVI'S® AND NEW BALANCE. PUBLIC⁺, THE EMBODIMENT OF IMPLICIT AND THOUGHTFULNESS, IS MAKING IMPRESSIVE PROGRESS WITH ITS SHARP AND BOLD DESIGNS.

APPLICATION OF NEW TECHNOLOGY AND MATERIAL BRINGS NEW ENERGIES. SUN HING DARES TO INNOVATE AND EXPERIMENT. ORIGINAL DESIGN PATTERNS ON EYEWEAR HAVE GONE OVER THE TOP WITH AN INDUSTRY PIONEER TECHNOLOGY – A GROUNDBREAKING COLORING TECHNIQUE THAT BRINGS VIVID COLORS AND ONE-OF-A-KIND PATTERNS TO EACH EYEWEAR.

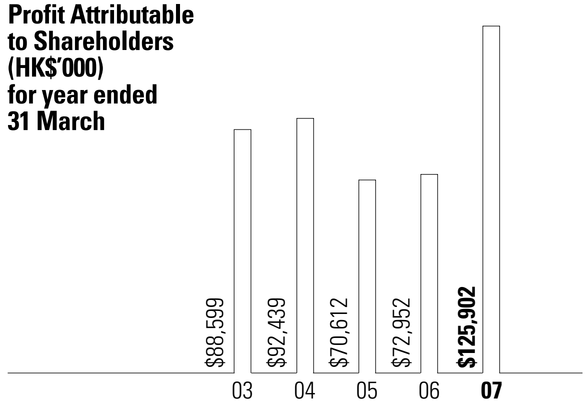
INSTEAD OF BRINGING IN NEW BRANDS, OUR FOCUS THIS YEAR HAS BEEN ON EXPANDING THE EXISTING BRANDS. LEVI'S®, FOR EXAMPLE, HAS ENJOYED A SIGNIFICANT EXPANSION FROM THE LAUNCH OF THE SUB-BRAND, LEVI'S® LADY STYLE.

NO TWO BRANDS ARE ALIKE. IN BRAND MANAGEMENT, WE ADOPT SPECIFIC WAYS TO MAKE SURE THAT EACH BRAND UPHOLDS ITS UNIQUE BRAND ESSENCE AND PERSONALITY.

Turnover (HK$'000)
for year ended
31 March



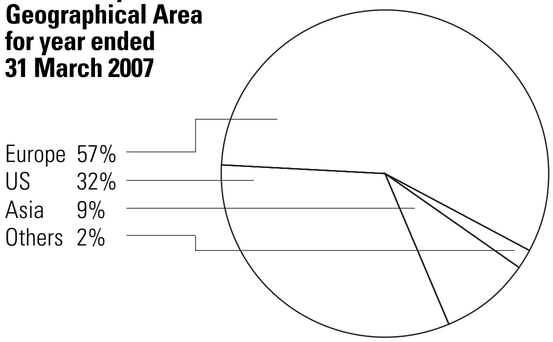
Profit Attributable
to Shareholders
(HK$'000)
for year ended
31 March



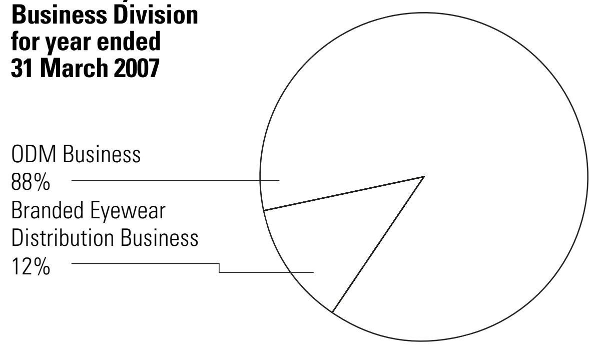
Financial Highlights

Turnover of
the Group
increased by **47%**
to **HK$966 million**

Turnover by Geographical Area for year ended 31 March 2007



Turnover by Business Division for year ended 31 March 2007



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 2007.

RESULTS

For the year ended 31 March 2007, turnover of the Group increased by 47% to HK$966 million (2006: HK$657 million), and the profit for the year of the Group increased by 73% to HK$126 million (2006: HK$73 million). Basic earnings per share increased to HK48 cents (2006: HK28 cents).

FINAL AND SPECIAL DIVIDENDS

The Directors have resolved to recommend at the forthcoming annual general meeting a final dividend of HK10 cents per share and a final special dividend of HK2 cents per share for the year ended 31 March 2007, to the shareholders whose names appear in the register of members of the Company at the close of business on 24 August 2007. This final and final special dividend, together with the interim and interim special dividend of HK6.2 cents per share already paid, will make a total distribution of HK18.2 cents per share for the full year. The final dividend and the final special dividend are expected to be paid on or about 28 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 August 2007 to 24 August 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and final special dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 17 August 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the demand for the Group's products remained strong and reached a record level for both of its original design manufacturing (ODM) business as well as its branded eyewear distribution business. With its strong growth momentum, the ODM business continued to contribute a major part of the Group's turnover during the year under review. The ODM business and the branded eyewear distribution business accounted for 88% and 12% of the Group's turnover respectively.

While we saw encouraging sales performance during the year under review, the Group was still under severe production cost pressures arising from the increasingly difficult operating environment for manufacturing companies in China. The upward moving trends in raw material costs, energy prices and wage levels, as well as the gradual appreciation of Renminbi, during the year under review were still evident and adversely affected the profitability of the Group. However, due to the pro-active efforts made by the Group in enhancing its productivity and operating efficiency, the gross profit margin percentage has stabilized and remained at 29% (2006: 29%).

THE ODM BUSINESS

Owing to its competitive edge in producing premium quality fashion eyewear and its strength in product development, the demand for the Group's ODM products has remained strong throughout the year under review. Turnover of the Group's ODM business increased substantially by 49% to HK$848 million. The major markets of the Group's ODM products, Europe and the United States, accounted for 63% and 35% (2006: 58% and 38%) of the Group's turnover of its ODM business respectively. The Group's ODM turnover in Europe recorded a remarkable growth of 61%, while ODM turnover in the United States also increased satisfactorily by 34%.

During the year under review, a more balanced state of the market preference between metal and plastic eyewear products has contributed positively to the ODM turnover and overall performance of the Group. Sales of metal and plastic frames during the year increased by 64% and 25% respectively. Sales of metal frames, plastic frames and other spare parts accounted for 66%, 32% and 2% respectively of the Group's ODM turnover during the year under review (2006: 60%, 38% and 2%).

THE BRANDED EYEWEAR DISTRIBUTION BUSINESS

The rapid growth pace of the Group's branded eyewear distribution business in previous year continued during the year under review. Turnover contributed by the branded eyewear distribution business increased significantly by 36% to HK$118 million. The Group has made strenuous efforts in expanding the geographic coverage as well as in strengthening the market penetration of its licensed and house brands. Levi's® eyewear collection continued to be main driver for the growth of the turnover of the Group's branded eyewear distribution business. The other existing brands were also performing solidly during the year under review. Asia continued to be the major market of the Group's branded eyewear distribution business and accounted for 59% of the Group's distribution turnover (2006: 69%), while the contributions from other markets are increasing.

LIQUIDITY AND CAPITAL RESOURCES

During the year under review, the cash inflow from operations reached HK$126 million. This strong cashflow was primarily attributed to the rapid growth in business, active collection management, as well as cautious expenditure control. As at 31 March 2007, net current assets and current ratio of the Group were approximately HK$395 million and 3.5:1 respectively. As at 31 March 2007, the Group did not have any bank borrowings, and time deposits as well as bank and cash balance amounted to HK$159 million. The total shareholders' equity of the Group increased to HK$648 million as at 31 March 2007 from HK$558 million at 31 March 2006. During the year under review, inventory turnover period and debtor turnover period were 89 days and 88 days respectively. In light of the increasingly fashion-oriented nature of the eyewear industry, the management has reviewed and improved its internal operations to identify existing slow-moving inventories and to enhance inventory turnover in the future. 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 expansion plans.

Backed by the Group's strong performance and cash position, the Directors have resolved to declare a final special dividend of HK2 cents per share on the top of the final dividend of HK10 cents per share for the year ended 31 March 2007. The Directors will continue to monitor the dividend policy closely to ensure that the optimal balance can be achieved between the reinvestment and distribution of earnings in the Group and to the shareholders respectively.

Most of the Group's transactions were conducted in United States dollars, Hong Kong dollars and Renminbi. In addition, the majority of the Group's assets were also kept in these currencies. No hedging for foreign exchange was used given that the Group's exposure to currency fluctuation was still relatively limited.

HUMAN RESOURCES

The Group had a workforce of over 9,000 people as at 31 March 2007. The Group remunerates its employees based on their performance, work experience and the prevailing market situation. Performance related bonuses are granted on a discretionary basis based on individual performance and overall operating results of the Group. Other employee benefits include medical insurance scheme coverage, mandatory provident fund scheme, subsidised or free training programs and participation in the Company's share option scheme.

PROSPECTS

The Directors believe that the operating environment of the Group and the market are in a state of rapid change which presents both challenges to the Group's operations and opportunities for future development.

There is no doubt that the heightening cost pressures, increasingly stringent customers' requirements and rapidly changing fashion trend will continue to be the main challenges faced by the Group in the coming financial year. In anticipation of these factors, the Group has adopted various measures in enhancing its productivity and operating efficiency. These measures are initially proved to be effective as reflected by the performance of the Group in the year under review. The Directors will continue to drive these strategic measures with a view to deepen their Group-wide applications and effects, and explore other enhancement initiatives for improving the Group's operations on an on-going basis.

The Directors believe that after a year of strong growth for the Group's ODM business, the pace of development for the next fiscal year might not be as significant as that in the year under review, primarily due to the customers' adjustments in inventory holding policy and order pattern. However, due to the strong global economy and the continual shift of the European customers' sourcing activity to Asian manufacturers, the Directors are cautiously optimistic about the Group's ODM business development in the coming fiscal year. To cope with the changing market demand, the Group will continue to invest to upgrade its production facilities, to enhance its production flexibility, and to expand capacity in a prudent and cautious manner.

The Directors consider the Group's branded eyewear distribution business as an important contributor to the growth of the Group's turnover in the coming few years. It is expected that the performance of the branded eyewear distribution business will continue to be satisfactory in the next fiscal year. Based on the successful experience of the Levi's® eyewear collection, the Group will continue to expand the geographic coverage of the eyewear collections of its brand portfolio, and to explore different distribution channels to deepen the market penetration of its products in each major market. In anticipation of the development of the branded eyewear distribution business, the Group is taking steps to restructure it's distribution operations and to strengthen it's distribution team. In the meantime, the Group will continue to optimize its brand portfolio by acquiring more prominent brands, focusing resources on selected brands more intensively, and phasing out brands with small volumes.

AUDIT COMMITTEE

An audit committee has been established by the Company to act in an advisory capacity and to make recommendations to the board (the "Board") of directors (the "Directors") of the Company. The members of the audit committee comprise the three independent non-executive directors of the Company, who are Mr. Lo Wa Kei, Roy (Chairman), Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy. The audit committee has adopted the principles set out in the Code on Corporate Governance Practice (the "CG Code"). The duties of the audit committee include review of the interim and annual reports of the Company as well as various auditing, financial reporting and internal control matters with the management and/or external auditor of the Company. The Group's consolidated financial statements for the year ended 31 March 2007 have been reviewed by the Audit Committee and audited by the Company's external auditor Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

A remuneration committee was established 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, as well as the human resources manager of the Group. The duties of the remuneration committee include the determination of remuneration of executive directors and review of the remuneration policy of the Group.

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.

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, staff, suppliers, bankers for their efforts and commitments.

Ku Ngai Yung, Otis
Chairman

Ku Ka Yung
Deputy Chairman

Hong Kong, 13 July 2007

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. Ku Ngai Yung, Otis, aged 40, is the chairman and managing director of the Group. He 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 34, is the deputy chairman and chief financial officer of the Group and 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 39, is the executive director responsible for the Group's product development and purchasing activities. He joined the Group in February 1989.

Ms Ku Ling Wah, Phyllis, aged 42, is the executive director responsible for the general administration including accounting, human resources management and treasury functions of the Group in Hong Kong. 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 41, is the executive director responsible for the general administration of the Group. He 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 45, is the executive director responsible for the marketing development of the Group. She 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 73, is the founder of the Group and has more than 40 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 36, has over twelve years of experience in accounting and finance. He is a practicing certified public accountant in Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Securities Institute. Mr. Lo is also an independent non-executive director of Sun Man Tai Holdings Company Limited and Gay Giano International Group Limited, all of them are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Mr. Lee Kwong Yiu, aged 44, has over ten years of experience in Hong Kong law as a qualified solicitor. He is now the principal of Messrs. Philip K. Y. Lee & Co. Solicitors. He is also the Associate Member of the Chartered Institute of Arbitrators. Mr. Lee has been appointed as the director of the Company since 1 May 2001. Mr. Lee is also an independent non-executive director of Vital Bio-Tech Holdings Limited, a company listed on the Stock Exchange. He is a China-Appointed Attesting Officer since 20 April 2006.

Mr. Wong Che Man, Eddy, aged 47, 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 is also an independent non-executive director of Smart Rich Energy Finance (Holdings) Limited which is listed on the Stock Exchange.

SENIOR MANAGEMENT

Ms Cheunk Siu Ling, aged 41, is the accounting manager of the Group and is responsible for the Group's accounting and finance function. She 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 40, is the product development 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 38, 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 enhance 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 CG Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), which came into effect on 1 January 2005. During the year ended 31 March 2007, 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 2007.

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 page 12. The Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company.

The Board conducted five Board meetings, four of which were regular Board meetings in compliance with Code A.1.1 of the CG Code, during the year ended 31 March 2007. The attendance of each Director is set out as follows:

Directors	Attendance Record
Mr. Ku Ngai Yung, Otis (Chairman)	5/5
Mr. Ku Ka Yung (Deputy Chairman)	5/5
Mr. Tsang Wing Leung, Jimson	5/5
Ms. Ku Ling Wah, Phyllis	5/5
Mr. Chan Chi Sun	5/5
Ms. Ma Sau Ching	5/5
Mr. Ku Yiu Tung	5/5
Mr. Lo Wa Kei, Roy	5/5
Mr. Lee Kwong Yiu	5/5
Mr. Wong Che Man, Eddy	5/5

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.

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.

Mr. Lee Kwong Yiu, who is an independent non-executive Director, Mr. Ku Yiu Tung, who is a non-executive Director, as well as Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung, who are executive Directors, were re-elected as Directors at the 2006 AGM for a term of no more than three years and subject to retirement by rotation in accordance with the Bye-laws.

Ms. Ku Ling Wah, Phyllis, Mr. Tsang Wing Leung, Jimson, Mr. Chan Chi Sun and Ms. Ma Sau Ching, who are executive Directors will retire at the forthcoming 2007 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.

CORPORATE GOVERNANCE REPORT
(continued)

REMUNERATION COMMITTEE

A 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, as well as the human resources manager of the Company. 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.

The remuneration committee held one meeting during the year ended 31 March 2007. The attendance of each remuneration committee member is set out as follows:–

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

During the year ended 31 March 2007, 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 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 Company. 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 Company 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 2007, the audit committee has performed the above duties, including making recommendations to the Board regarding the changes in external auditor. Information on the changes in external auditor is set out on page 20 of the Directors' Report.

During the year ended 31 March 2007, the audit committee held four meetings. Attendance of each audit committee member is set out as follows:–

Audit Committee Members	Attendance Record
Mr. Lo Wa Kei, Roy (Chairman)	4/4
Mr. Lee Kwong Yiu	4/4
Mr. Wong Che Man, Eddy	4/4

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:

Type of Services	Fees paid/payable
Audit services	HK$950,000
Non-audit services	
Interim results review	HK$150,000
Tax compliance and advisory services	HK$180,000
Internal control review	HK$120,000

ACCOUNTABILITY AND INTERNAL CONTROL

The Directors acknowledge their responsibility to prepare financial statements for the financial year ended 31 March 2007 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 2007, 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 auditors to the shareholders, are set out in the auditor's report on page 21.

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 2007, 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 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.

REPORT OF THE DIRECTORS

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2007.

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 2007 are set out in the consolidated income statement on page 23.

An interim dividend of HK4.2 cents per share amounting to approximately HK$11,036,000 and an interim special dividend of HK2 cents per share amounting to approximately HK$5,256,000 were paid to the shareholders of the Company during the year. The directors now recommend a final dividend of HK10 cents per share amounting to approximately HK$26,278,000 and a final special dividend of HK2 cents per share amounting to approximately HK$5,256,000 to the shareholders of the Company whose names appear on the register of members at the close of business on 24 August 2007.

PROPERTY, PLANT AND EQUIPMENT

Certain of the Group's leasehold land and buildings were revalued at 31 March 2007. The revaluation resulted in a total surplus over their carrying amounts of approximately HK$2,936,000, out of which HK$1,336,000 has been credited to the consolidated income statement and HK$1,600,000 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$63,926,000 to increase production capacity. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 13 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 60% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 27% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 27% of the 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 share capital) have an interest in any of the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31 March 2007, the Company's reserves available for distribution consisted of special reserve of HK$2,430,000 (2006: HK$40,007,000) and retained profits of HK$17,900,000 (2006: HK$18,974,000).

Under the Companies Act 1981 of Bermuda (as amended), the special reserve account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of special reserve if:

(a) it is, or would after payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

The directors of the Company 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 DIRECTORS:

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, Ms. Ku Ling Wah, Phyllis, Mr. Tsang Wing Leung, Jimson, Mr. Chan Chi Sun and Ms. Ma Sau Ching 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 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, 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' 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' 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. His appointment may be terminated by either party giving to the other not less than three months' prior written notice.

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 Wai 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 his appointment may be terminated by either party giving to the other not less than three months' prior written notice. 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' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2007, the interests and short positions of the directors and chief executives, and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

1. LONG POSITIONS IN SHARES OF THE COMPANY

	Number of ordinary shares held			
Name of directors	**Beneficial owner**	**Held by a discretionary trust** *(Note)*	**Total**	**Percentage of the issued share capital of the Company**
Ku Ngai Yung, Otis	3,737,223	137,359,382	141,096,605	53.69%
Ku Ka Yung	3,737,223	137,359,382	141,096,605	53.69%
Ku Ling Wah, Phyllis	–	137,359,382	137,359,382	52.27%
Tsang Wing Leung, Jimson	1,636,000	–	1,636,000	0.62%
Chan Chi Sun	1,526,000	–	1,526,000	0.58%
Ma Sau Ching	700,000	–	700,000	0.27%

Note: 137,359,382 ordinary shares 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 OF THE COMPANY

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 2007, 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 as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

REPORT OF THE DIRECTORS
(continued)

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 schemes. Particulars of the New Share Option Scheme are set out in note 21 to the consolidated financial statements.

The following table discloses movements in the Company's share options which were granted under the Old Share Option Scheme to a director and employees during the year:

			Number of share options				
Grantees	**Date of grant**	**Exercisable period**	**Outstanding at 1 April 2006**	**Exercised during the year** *(Note 1)*	**Forfeited during the year**	**Outstanding at 31 March 2007**	**Exercise price** *HK$*
Director, Ma Sau Ching	14 December 2001	14 December 2001 to 13 December 2006 *(Note 2)*	300,000	(300,000)	–	–	0.92
Employees	2 April 2004	2 April 2004 to 1 April 2009 *(Note 2 & 3)*	1,350,000	–	(150,000)	1,200,000	3.50
Total			1,650,000	(300,000)	(150,000)	1,200,000	

Notes:

1. *The closing price of the Company's shares immediately before 4 April 2006, the date on which the options were exercised, was HK$2.35.*

2. *All the options have been vested.*

3. *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.*

At the date of this report, the number of shares in respect of which options had been granted and remained outstanding under the Old Share Option Scheme was 1,200,000, representing approximately 0.46% of the issued shares of the Company. 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 shares capital. 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 2007, the following parties (other than those disclosed under the headings "Directors' 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 interest in 5% or more of the issued share capital of the Company.

Name of substantial shareholders	Number of ordinary shares held	Percentage of the issued share capital of the Company
United Vision International Limited *(Note 1)*	137,359,382	52.27%
Marshvale Investments Limited *(Note 1)*	137,359,382	52.27%
HSBC International Trustee Limited *(Notes 1 & 2)*	138,177,382	52.58%
Cheah Cheng Hye *(Note 3)*	20,532,000	7.81%
Value Partners Limited *(Note 3)*	20,532,000	7.81%
Deutsche Bank Aktiengesellschaft *(Note 4)*	19,103,000	7.27%
OCM Emerging Markets Fund, L.P. *(Note 5)*	18,824,000	7.16%
Oaktree Capital Management, LLC *(Note 5)*	18,824,000	7.16%
Allard Partners Limited *(Note 6)*	13,196,000	5.02%
David Michael Webb *(Note 7)*	13,152,000	5.00%

Notes:

1. *As at 31 March 2007, 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. 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.*

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 held by HSBC Trustee, 137,359,382 shares were held indirectly through UVI as mentioned in note (1) above and 818,000 shares were held as trustee.*

3. *As at the date of filing the substantial shareholder notice on 12 May 2005, Mr. Cheah Cheng Hye owns 31.82% of issued share capital of Value Partners Limited, an investment manger. Mr. Cheah was therefore deemed to be interested in the shares held by Value Partners Limited under the SFO.*

4. *As at 31 March 2007, of the 19,103,000 shares held by Deutsche Bank Aktiengesellschaft ("Deutsche Bank"), 5,465,000 shares were held by Deutsche Bank as the investment manager through its wholly-owned subsidiary Deutsche Asset Management (Asia) Limited. By virtue of Deutsche Asset Management (Asia) Limited's interests in the Company, Deutsche Bank is deemed to be interested in 5,465,000 shares under the SFO. For the rest of 13,638,000 shares, Deutsche Bank holds security interest in those shares.*

5. *As at the date of filing the substantial shareholder notice on 3 February 2006, Oaktree Capital Management, LLC. owns 2% of the issued share capital of OCM Emerging Markets Fund, L.P. Oaktree Capital Management, LLC was therefore deemed to be interested, to that extent, in the shares held by OCM Emerging Markets Fund, L.P under the SFO.*

6. *Allard Partners Limited is a fund management company.*

7. *As at 31 March 2007, of the 13,152,000 shares held by David Michael Webb, 11,292,000 shares were held through his wholly-owned company, Preferable Situation Assets Limited, while 1,860,000 shares 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 11,292,000 shares under the SFO.*

All the interests stated above represent long position. Save as disclosed above, as at 31 March 2007, 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.

REPORT OF THE DIRECTORS
(continued)

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of 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, 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 comparable market statistics.

The Company has adopted share option schemes as an incentive to directors and eligible employees, details of the scheme is set out in note 21 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 2007.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

CORPORATE GOVERNANCE

The corporate governance report is set out on pages 13 to 14.

AUDITOR

During the year ended 31 March 2006, KLL Associates CPA Limited, Certified Public Accountants, due to the combination of it's certain practice with BDO McCabe Lo Limited, Certified Public Accountants, resigned as one of the two joint auditors of the Company. BDO McCabe Lo Limited, Certified Public Accountants, was appointed as one of the joint auditors of the Company following the resignation of KLL Associates Limited, Certified Public Accountants.

Deloitte Touche Tohmatsu, resigned as one of the two joint auditors of the Company during the year ended 31 March 2006. BDO McCabe Lo Limited, Certified Public Accountants, being the other of the Company's joint auditors, remain in office as the sole auditor of the Company.

During the year, Messrs. BDO McCabe Co Limited, Certified Public Accountants who acted as the sole auditor of the Company for the recent past year and joint auditor for the preceding two years, resigned and Messrs. Deloitte Touche Tohmatsu, was appointed as auditor of the Company. Save as disclosed herein, there have been no other changes of auditor in the past three years. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board
Ku Ngai Yung, Otis
CHAIRMAN

Hong Kong, 13 July 2007

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS 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 22 to 48, which comprise the consolidated balance sheet as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 and true and fair presentation of the consolidated financial statements 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 2007 and of the Group's profit and cash flows for the year then ended in accordance with HKFRSs 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
13 July 2007

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	**2007 HK$'000**	2006 HK$'000
Revenue	*6*	**965,990**	657,254
Cost of sales		**(687,175)**	(467,328)
Gross profit		**278,815**	189,926
Bank interest income		**3,245**	2,558
Other income		**1,448**	1,195
Selling and distribution costs		**(17,513)**	(13,572)
Administrative expenses		**(128,903)**	(100,268)
Surplus on revaluation of land and buildings		**1,336**	1,116
Profit before taxation		**138,428**	80,955
Taxation	*7*	**(12,526)**	(8,003)
Profit for the year	*8*	**125,902**	72,952
Dividends	*11*	**37,577**	35,798
Earnings per share	*12*		
Basic		**HK48 cents**	HK28 cents
Diluted		**HK48 cents**	HK28 cents

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**243,963**	217,312
Prepaid lease payments	*14*	**4,047**	4,138
Time deposit	*15*	**11,700**	11,700
		259,710	233,150
CURRENT ASSETS			
Inventories	*16*	**167,595**	177,373
Trade and other receivables	*17*	**237,548**	190,946
Prepaid lease payments	*14*	**91**	91
Time deposit	*15*	**15,600**	15,600
Bank balances and cash	*18*	**131,966**	104,227
		552,800	488,237
CURRENT LIABILITIES			
Trade and other payables	*19*	**151,102**	152,142
Tax liabilities		**6,707**	2,807
		157,809	154,949
NET CURRENT ASSETS		**394,991**	333,288
		654,701	566,438
CAPITAL AND RESERVES			
Share capital	*20*	**26,278**	26,248
Reserves		**621,722**	531,616
		648,000	557,864
NON-CURRENT LIABILITY			
Deferred tax liabilities	*22*	**6,701**	8,574
		654,701	566,438

The consolidated financial statements on pages 22 to 48 were approved and authorised for issue by the Board of Directors on 13 July 2007 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 2007

	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 2005	25,704	68,008	18,644	–	232	396,672	509,260
Profit for the year	–	–	–	–	–	72,952	72,952
Total recognised income for the year	–	–	–	–	–	72,952	72,952
Issue of shares upon exercise of share options	20	164	–	–	–	–	184
Issue of shares in lieu of cash dividends	524	10,609	–	–	–	–	11,133
Share issue expense	–	(82)	–	–	–	–	(82)
Recognition of equity-settled share-based payment	–	–	–	–	215	–	215
Dividends paid	–	–	–	–	–	(35,798)	(35,798)
At 31 March 2006	26,248	78,699	18,644	–	447	433,826	557,864
Surplus on revaluation of land and buildings	–	–	–	1,600	–	–	1,600
Deferred tax liability arising on revaluation of land and buildings	–	–	–	(280)	–	–	(280)
Net income recognised directly in equity	–	–	–	1,320	–	–	1,320
Profit for the year	–	–	–	–	–	125,902	125,902
Total recognised income for the year	–	–	–	1,320	–	125,902	127,222
Issue of shares upon exercise of share options	30	246	–	–	–	–	276
Recognition of equity-settled share-based payment	–	–	–	–	215	–	215
Dividends paid	–	–	–	–	–	(37,577)	(37,577)
At 31 March 2007	26,278	78,945	18,644	1,320	662	522,151	648,000

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 CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**138,428**	80,955
Adjustments for:		
Bank interest income	**(3,245)**	(2,558)
Surplus on revaluation of land and buildings	**(1,336)**	(1,116)
(Gain) loss on disposal of property, plant and equipment	**(70)**	10
Depreciation of property, plant and equipment	**40,211**	38,013
Release of prepaid lease payments	**91**	91
Share-based payment expenses	**215**	215
Operating cash flows before movements in working capital	**174,294**	115,610
Increase in inventories	**9,778**	(43,882)
Increase in trade and other receivables	**(46,602)**	(12,622)
(Decrease) increase in trade and other payables	**(1,040)**	24,497
Cash generated from operations	**136,430**	83,603
Income taxes paid	**(10,779)**	(5,200)
NET CASH FROM OPERATING ACTIVITIES	**125,651**	78,403
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(63,926)**	(69,850)
Interest received	**3,245**	2,558
Proceeds from disposals of property, plant and equipment	**70**	554
Decrease in time deposits	**–**	44
NET CASH USED IN INVESTING ACTIVITIES	**(60,611)**	(66,694)
FINANCING ACTIVITIES		
Dividends paid	**(37,577)**	(24,665)
Share issue expenses	**–**	(82)
Proceeds from issue of shares upon the exercise of share options	**276**	184
NET CASH USED IN FINANCING ACTIVITIES	**(37,301)**	(24,563)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**27,739**	(12,854)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**104,227**	117,081
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**131,966**	104,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

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 to 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 ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 8	Scope of HKFRS 2[3]
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-INT 11	HKFRS 2 - Group and Treasury Share Transactions[6]
HK(IFRIC)-INT 12	Service Concession Arrangements[7]

[1] *Effective for annual periods beginning on or after 1 January 2007*
[2] *Effective for annual periods beginning on or after 1 January 2009*
[3] *Effective for annual periods beginning on or after 1 May 2006*
[4] *Effective for annual periods beginning on or after 1 June 2006*
[5] *Effective for annual periods beginning on or after 1 November 2006*
[6] *Effective for annual periods beginning on or after 1 March 2007*
[7] *Effective for annual periods beginning on or after 1 January 2008*

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain leasehold land and buildings, which are measured at revalued amounts, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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.

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 income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

BASIS OF CONSOLIDATION *(CONTINUED)*

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 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 sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

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 exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amounts, being the fair values at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. 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 balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense 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 construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

PREPAID LEASE PAYMENTS

The prepaid lease payments which represent up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and released to profit or loss over the lease term on a straight line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Rentals payable under operating leases are charged to the consolidated income statement on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. Leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building element, in which case, the entire lease is classified as a finance lease.

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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 translation of monetary items, are recognised in consolidated income statement in the period in which they arise.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit scheme and state-managed retirement benefit 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 the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes consolidated income statement 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 balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

IMPAIRMENT LOSSES

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

IMPAIRMENT LOSSES *(CONTINUED)*

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.

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 on the consolidated balance sheet 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 and 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated income statement.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised or 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 market place. The accounting policies adopted in respect of the financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including time deposits, trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

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. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities (including 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in consolidated income statement.

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 consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to employees

Share options granted before 7 November 2002

The financial impact of share options granted is not recorded in the Company's balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted after 7 November 2002 and vested after 1 April 2005

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 each balance sheet date, the Company revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, 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 continue to be held in share option reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the balance sheet date, that have a significant risk of giving risk to a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of collectability and aging analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

During the year ended 31 March 2007, impairment loss in respect of trade receivables of the Group of HK$13,739,000 (2006: HK$4,528,000) was recognised in the consolidated financial statements.

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 consolidated income statement as write down of inventories.

In light of the increasingly fashion-oriented nature of the eyewear industry, the directors of the Company have reviewed and improved the internal operations of the Group to identify existing slow-moving inventories during the year. Inventories are net of an amount of approximately HK$56,027,000 (2006: HK$3,234,000) in respect of a write down of raw materials, work in progress and finished goods to their estimated net realisable values as at 31 March 2007 during the year.

5. FINANCIAL INSTRUMENTS

A. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include time deposits, 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

Foreign currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk.

Certain time deposits, trade receivables and bank balances and cash of the Group are denominated in foreign currencies. 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.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial asset. Interest bearing financial asset is mainly long-term time deposit. As the long-term time deposit is arranged at variable rates on a predetermined basis over the period, thus exposing the Group to both fair value interest rate risk and cash flow interest rate risk. Management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise.

Credit risk

As at 31 March 2007, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to perform to discharge an obligation by the counterparties arose from the carrying amounts of the respective recognised financial assets as stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts.

As at 31 March 2007, the five largest trade receivables accounted for approximately 54% of total trade receivables (net of allowance). 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 receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at each balance sheet date 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 for time deposits and bank balances is considered minimal as such amounts are placed with banks with good credit ratings.

B. FAIR VALUES

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Company consider that the fair values of financial assets (other than time deposits) and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their corresponding carrying amounts.

The fair value of the Group's time deposits as at 31 March 2007 amounted to HK$23,400,000 (2006: HK$21,847,000).

6. SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold to outside customers during the year. In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format.

(A) BUSINESS SEGMENTS

The Group is principally engaged in the design, manufacture and sales of optical products. No business segment analysis is presented as management considers this as one single business segment.

(B) GEOGRAPHICAL SEGMENTS

The Group's operations and assets are located in Hong Kong and elsewhere in the People's Republic of China (the "PRC").

Segment information of the Group by location of customers is presented as below:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2007

	Europe HK$'000	United States HK$'000	Asia HK$'000	Other regions HK$'000	Consolidated HK$'000
REVENUE	**548,268**	**313,680**	**82,601**	**21,441**	**965,990**
RESULT					
Segment result	**112,439**	**69,226**	**6,459**	**2,746**	**190,870**
Bank interest income					**3,245**
Other income					**1,448**
Surplus on revaluation of land and buildings					**1,336**
Unallocated corporate expenses					**(58,471)**
Profit before taxation					**138,428**
Taxation					**(12,526)**
Profit for the year					**125,902**

CONSOLIDATED BALANCE SHEET
As at 31 March 2007

	Europe HK$'000	United States HK$'000	Asia HK$'000	Other regions HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	**114,988**	**92,333**	**22,680**	**2,570**	**232,571**
Unallocated corporate assets					**579,939**
Consolidated total assets					**812,510**
LIABILITIES					
Unallocated corporate liabilities					**164,510**

6. SEGMENT INFORMATION *(CONTINUED)*

(B) GEOGRAPHICAL SEGMENTS *(CONTINUED)*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	Europe HK$'000	United States HK$'000	Asia HK$'000	Other regions HK$'000	Consolidated HK$'000
REVENUE	343,939	223,674	73,400	16,241	657,254
RESULT					
Segment result	68,672	46,659	6,910	2,477	124,718
Bank interest income					2,558
Other income					1,195
Surplus on revaluation of land and buildings					1,116
Unallocated corporate expenses					(48,632)
Profit before taxation					80,955
Taxation					(8,003)
Profit for the year					72,952

CONSOLIDATED BALANCE SHEET

As at 31 March 2006

	Europe HK$'000	United States HK$'000	Asia HK$'000	Other regions HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	104,914	49,405	26,878	2,810	184,007
Unallocated corporate assets					537,380
Consolidated total assets					721,387
LIABILITIES					
Unallocated corporate liabilities					163,523

In addition to the analysis by the geographical location of its customers, the following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located which is different from the geographical location of the customers.

	Carrying amounts of segment assets		**Additions to property, plant and equipment**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Hong Kong	**264,671**	204,750	**11,800**	5,436
The PRC	**388,573**	385,110	**52,126**	64,414
	653,244	589,860	**63,926**	69,850

7. TAXATION

	2007 HK$'000	2006 HK$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**14,658**	7,728
PRC Enterprise Income Tax	**21**	101
	14,679	7,829
Deferred taxation *(note 22)*	**(2,153)**	174
	12,526	8,003

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A portion of the Group's profits 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.

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

	2007 HK$'000	2006 HK$'000
Profit before taxation	**138,428**	80,955
Tax at the Hong Kong Profits Tax rate of 17.5%	**24,225**	14,167
Tax effect of income not taxable in determining taxable profit	**(631)**	(445)
Tax effect of expenses not deductible in determining taxable profit	**1,865**	1,027
Tax effect of Hong Kong Profits Tax on 50:50 apportionment basis	**(14,216)**	(7,460)
Tax effect of tax losses not recognised	**1,288**	–
Tax effect of utilisation of tax losses previously not recognised	**(20)**	–
Effect of different tax rates of operation in other jurisdictions	**15**	714
Taxation for the year	**12,526**	8,003

Details of the deferred taxation are set out in note 22.

8. PROFIT FOR THE YEAR

	2007 HK$'000	2006 HK$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,122**	630
Cost of inventories recognised as expense	**687,175**	467,328
Depreciation of property, plant and equipment	**40,211**	38,013
Net foreign exchange losses	**6,043**	1,923
Loss on disposal of property, plant and equipment	**–**	10
Release of prepaid lease payments	**91**	91
Staff cost		
– directors' emoluments *(note 9)*	**4,704**	4,199
– other staff costs	**176,678**	135,506
– share-based payment expenses	**215**	215
– retirement benefit scheme contribution excluding those of directors' and net of forfeited contribution of HK$26,000 (2006: HK$21,000)	**3,390**	3,156
	184,987	143,076
and after crediting:		
Gain on disposal of property, plant and equipment	**70**	–

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the ten (2006: eleven) directors were as follows:

	Year ended 31 March 2007			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors				
Ku Ngai Yung, Otis	**36**	**598**	**7**	**641**
Ku Ka Yung	**36**	**573**	**5**	**614**
Ku Ling Wah, Phyllis	**36**	**409**	**20**	**465**
Tsang Wing Leung, Jimson	**92**	**621**	**27**	**740**
Chan Chi Sun	**92**	**651**	**28**	**771**
Ma Sau Ching	**92**	**789**	**30**	**911**
	384	**3,641**	**117**	**4,142**
Non-executive director				
Ku Yiu Tung	**202**	**–**	**–**	**202**
Independent non-executive directors				
Lo Wa Kei, Roy	**120**	**–**	**–**	**120**
Lee Kwong Yiu	**120**	**–**	**–**	**120**
Wong Che Man, Eddy	**120**	**–**	**–**	**120**
	360	**–**	**–**	**360**
	946	**3,641**	**117**	**4,704**

9. DIRECTORS' EMOLUMENTS *(CONTINUED)*

		Year ended 31 March 2006		
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors				
Ku Ngai Yung, Otis	–	511	12	523
Ku Ka Yung	–	479	7	486
Ku Ling Wah, Phyllis	–	388	15	403
Tsang Wing Leung, Jimson	–	602	23	625
Cheung Chiu Hung *(Note)*	–	188	9	197
Chan Chi Sun	–	634	24	658
Ma Sau Ching	–	725	26	751
	–	3,527	116	3,643
Non-executive director				
Ku Yiu Tung	196	–	–	196
Independent non-executive directors				
Lo Wa Kei, Roy	120	–	–	120
Lee Kwong Yiu	120	–	–	120
Wong Che Man, Eddy	120	–	–	120
	360	–	–	360
	556	3,527	116	4,199

Note: Mr. Cheung Chiu Hung resigned on 1 August 2005.

No directors waived any emoluments in both years.

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals for the year ended 31 March 2007 included five (2006: three) executive directors of the Company, whose emoluments are set out in note 8. The emoluments of the remaining two individuals for the year ended 31 March 2006 are as follows:

	2006 HK$'000
Salaries and other benefits	1,089
Retirement benefit scheme contribution	37
	1,126

The remunerations of all the five highest paid individuals in respect of the years ended 31 March 2006 and 2007 are individually less than HK$1,000,000.

During the years ended 31 March 2007 and 31 March 2006, 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. None of the five highest paid individuals waived any emoluments in both years.

11. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Final, paid - HK8.1 cents per share for 2006 (2006: HK8.1 cents per share for 2005)	**21,285**	20,837
Interim, paid - HK4.2 cents per shares for 2007 (2006: HK4.2 cents per share for 2006)	**11,036**	11,024
Special, paid - HK2.0 cents per share for 2007 (2006: HK1.5 cents per share for 2006)	**5,256**	3,937
	37,577	35,798

The final dividend of HK10 cents (2006: HK8.1 cents) per share and a final special dividend of HK2 cents (2006: nil) per share in respect of the year ended 31 March 2007 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. EARNINGS PER SHARE

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

	2007 HK$'000	2006 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**125,902**	72,952
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**262,775,820**	259,815,068
Effect of dilutive potential ordinary shares:		
– Share options	**1,600**	222,837
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**262,777,420**	260,037,905

13. 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	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION								
At 1 April 2005	5,800	45,912	36,400	161,594	55,342	3,967	22,581	331,596
Additions	–	19,676	4,608	33,830	7,763	2,626	1,347	69,850
Surplus on revaluation	1,000	–	–	–	–	–	–	1,000
Transfers	–	16,929	–	134	–	–	(17,063)	–
Disposals	–	–	–	(365)	–	(1,103)	–	(1,468)
Adjustment on valuation	–	(1,002)	–	–	–	–	–	(1,002)
At 31 March 2006	6,800	81,515	41,008	195,193	63,105	5,490	6,865	399,976
Additions	–	–	1,468	17,182	6,935	534	37,807	63,926
Surplus on revaluation	2,800	–	–	–	–	–	–	2,800
Transfers	–	7,947	19,586	3,703	1,595	–	(32,831)	–
Disposals	–	–	–	–	–	(308)	–	(308)
Adjustment on valuation	–	(1,767)	–	–	–	–	–	(1,767)
At 31 March 2007	9,600	87,695	62,062	216,078	71,635	5,716	11,841	464,627
Comprising:								
At cost	–	–	62,062	216,078	71,635	5,716	11,841	367,332
At valuation – 2007	9,600	87,695	–	–	–	–	–	97,295
	9,600	87,695	62,062	216,078	71,635	5,716	11,841	464,627
Comprising:								
At cost	–	–	41,008	195,193	63,105	5,490	6,865	311,661
At valuation – 2006	6,800	81,515	–	–	–	–	–	88,315
	6,800	81,515	41,008	195,193	63,105	5,490	6,865	399,976
DEPRECIATION								
At 1 April 2005	–	–	20,981	87,781	35,218	2,693	–	146,673
Provided for the year	116	1,002	5,285	22,499	8,153	958	–	38,013
Eliminated on revaluation	(116)	–	–	–	–	–	–	(116)
Eliminated on disposals	–	–	–	(222)	–	(682)	–	(904)
Adjustment on valuation	–	(1,002)	–	–	–	–	–	(1,002)
At 31 March 2006	–	–	26,266	110,058	43,371	2,969	–	182,664
Provided for the year	136	1,767	6,243	23,165	8,058	842	–	40,211
Eliminated on revaluation	(136)	–	–	–	–	–	–	(136)
Eliminated on disposals	–	–	–	–	–	(308)	–	(308)
Adjustment on valuation	–	(1,767)	–	–	–	–	–	(1,767)
At 31 March 2007	–	–	32,509	133,223	51,429	3,503	–	220,664
CARRYING VALUES								
At 31 March 2007	9,600	87,695	29,553	82,855	20,206	2,213	11,841	243,963
At 31 March 2006	6,800	81,515	14,742	85,135	19,734	2,521	6,865	217,312

13. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The above items of property, plant and equipment, other than construction in progress, 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, which is shorter
Leasehold improvements	10% – 20% or the lease term, which 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 2007 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuer not connected with the Group. BMI Appraisals Limited is a member of the Hong Kong Institute of Surveyors ("HKIS"), and has appropriate qualifications and recent experiences in valuation of similar properties in the relevant locations. The valuation of the leasehold land and buildings located in Hong Kong, which conforms to HKIS valuation standards on properties, was arrived at by reference to market evidence of transaction prices for similar properties. The valuation of the buildings in the PRC was arrived at depreciated replacement cost basis.

Out of the total surplus on revaluation of HK$2,936,000 (2006: HK$1,116,000), HK$1,336,000 (2006: HK$1,116,000) has been credited to the consolidated income statement and HK$1,600,000 (2006: nil) 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 at approximately HK$94,218,000 (2006: HK$88,198,000).

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.

14. PREPAID LEASE PAYMENTS

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

	2007 **HK$'000**	2006 HK$'000
Non-current asset	**4,047**	4,138
Current asset	**91**	91
	4,138	4,229

15. TIME DEPOSIT

The deposits are denominated in foreign currency of United States dollars with an initial term of six years to ten years. The deposits carry interests determined by formulae with reference to the London Interbank Offer Rate. Included in the amount is a deposit of HK$15,600,000 (year ended 31 March 2006: HK$15,600,000) that the bank has an unconditional right to terminate the deposit at the end of each quarter during the six-year period. The Group also has the right to early terminate the deposit prior to the maturity date of 17 July 2009.

	2007 HK$'000	2006 HK$'000
Analysis for reporting purposes as:		
Current	**15,600**	15,600
Non-current	**11,700**	11,700
	27,300	27,300

16. INVENTORIES

	2007 HK$'000	2006 HK$'000
Raw materials	**66,940**	50,957
Work in progress	**79,309**	86,527
Finished goods	**21,346**	39,889
	167,595	177,373

17. TRADE AND OTHER RECEIVABLES

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

	2007 HK$'000	2006 HK$'000
Trade receivables		
Current	**207,744**	151,582
Overdue up to 90 days	**24,111**	26,314
Overdue more than 90 days	**716**	6,111
	232,571	184,007
Other receivables	**4,977**	6,939
Trade and other receivables	**237,548**	190,946

The trade receivables of the Group are mainly denominated in United States dollars and Hong Kong dollars. Included in trade receivables as at 31 March 2007 were amount in foreign currency of United States dollars of approximately USD29,240,000 (2006: USD23,030,000).

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits that are interest-bearing at market interest rates ranging from 4.85% to 5.40% (2006: 4.30% to 4.63%) per annum and have maturity of three months or less.

The bank balances and cash of the Group are mainly denominated in Renminbi, United States dollars and Japanese Yen. Included in bank balances and cash as at 31 March 2007 were amount in foreign currency of Renminbi, United States dollars and Japanese Yen of approximately RMB3,600,000, USD16,600,000 and JPY21,300,000 (2006: RMB3,900,000, USD15,900,000 and JPY4,000,000) correspondingly. Renminbi is not freely convertible into other currencies relative to the functional currency of the Company.

19. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2007 **HK$'000**	2006 HK$'000
Trade payables		
Current and overdue up to 90 days	**102,302**	114,693
Overdue more than 90 days	**1,295**	2,577
	103,597	117,270
Other payables	**47,505**	34,872
	151,102	152,142

Included in trade and other payables is an amount of provision of approximately HK$4,300,000 made against a legal claim. In October 2005, the creditor trustee of a customer of the Group, which is under a voluntary petition for bankruptcy relief under the United States Bankruptcy Code and applicable state law ("State Law"), commenced an adversary proceeding against the Group. The creditor trustee seeks to recover from the Group the above mentioned amount which is alleged to be preferential transfer under the State Law. Provision for this claim has been made in the consolidated financial statements.

20. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	**Nominal amount** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2005, 31 March 2006 and 31 March 2007	500,000,000	50,000
Issued and fully paid:		
At 1 April 2005	257,039,200	25,704
Issue of shares in lieu of cash dividends	5,239,086	524
Issue of shares upon exercise of share options at the issue price of HK$0.92 each	200,000	20
At 31 March 2006	262,478,286	26,248
Issue of shares upon exercise of share options at the issue price of HK$0.92 each	300,000	30
At 31 March 2007	262,778,286	26,278

21. 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 in 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 following tables disclose details of the Company's share options which were granted under the Old Share Option Scheme held by a director and employees during the years ended 31 March 2007 and 2006:

			Number of share options							
Option type	**Date of grant**	**Exercisable period**	**Outstanding at 1.4.2005**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 31.3.2006 and 1.4.2006**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 31.3.2007**	**Exercise price** HK$
2001 – director	14 December 2001	14 December 2001 to 13 December 2006 *(Note 1)*	500,000	(200,000)	–	300,000	(300,000)	–	–	0.92
2004 – employees	2 April 2004	2 April 2004 to 1 April 2009 *(Note 2)*	1,850,000	–	(500,000)	1,350,000	–	(150,000)	1,200,000	3.50
			2,350,000	(200,000)	(500,000)	1,650,000	(300,000)	(150,000)	1,200,000	
Exercisable at the end of year			–			472,500			420,000	

Notes:

1. *All the options have been vested.*
2. *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.*

21. SHARE OPTIONS *(CONTINUED)*

OLD SHARE OPTION SCHEME *(CONTINUED)*

During the year ended 31 March 2007 and 31 March 2006, there were no share options granted to the Company's directors and employees under the Old Share Options Scheme. A total of 300,000 and 200,000 share options had been exercised by the Company's director during the year ended 31 March 2007 and 31 March 2006 respectively. In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HK$2.35 (2006: HK$2.38). In addition, 150,000 and 500,000 share options had been forfeited upon resignation of certain employees during the year ended 31 March 2007 and 31 March 2006 respectively.

The Group applies HKFRS 2 "Share-based Payment" retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 April 2005. The estimated fair values of the share options granted on 2 April 2004 were HK$0.49.

The Group recognised the total expense of HK$215,000 for the year ended 31 March 2007 (2006: HK$215,000) in relation to share options granted by the Company.

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.

22. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	**Revaluation of properties** HK$'000	**Total** HK$'000
At 1 April 2005	8,664	(264)	8,400
Credit (charge) to consolidated income statement for the year	(1)	175	174
At 31 March 2006	8,663	(89)	8,574
Charge to equity for the year	–	280	280
(Credit) charge to consolidated income statement for the year	(2,363)	210	(2,153)
At 31 March 2007	6,300	401	6,701

At 31 March 2007, the Group has unused tax losses of HK$7,917,000 (2006: HK$675,000) 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. The tax losses may be carried forward indefinitely.

23. OPERATING LEASE COMMITMENTS

The Group made minimum lease payments of approximately HK$8,978,000 (2006: HK$6,260,000) under operating leases during the year in respect of office premises.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**10,281**	6,668
In the second to fifth year inclusive	**22,450**	12,450
Over five years	**1,280**	654
	34,011	19,772

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

24. CAPITAL AND OTHER COMMITMENTS

	2007 HK$'000	2006 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– Acquisition of plant and machinery	**–**	2,073
– Factory under construction	**327**	652
	327	2,725
Capital expenditure authorised but not contracted for		
– Acquisition of plant and machinery	**837**	–
– Factory under construction	**7,322**	5,591
	8,159	5,591
Commitments for license fee for brand names contracted for but not provided in the consolidated financial statements	**4,798**	6,098
	13,284	14,414

25. MAJOR NON-CASH TRANSACTIONS

(a) During the year, construction in progress of approximately HK$32,831,000 (2006: HK$17,063,000) was completed and was transferred to respective categories of property, plant and equipment; and

(b) During the year ended 31 March 2006, the Group issued 5,239,086 shares of HK$0.10 each at total subscription price of approximately HK$11,133,000 in lieu of cash dividends.

26. RETIREMENT BENEFITS SCHEME

Prior to 1 December 2000, the Group operated a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there were employees who left the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effective from 1 December 2000, the Group has also joined a Mandatory Provident Fund Scheme ("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 by PRC subsidiaries 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.

The retirement benefit scheme contribution arising from the Defined Contribution Scheme, the MPF Scheme and the PRC state-managed retirement benefit scheme charged to the consolidated income statement 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$3,507,000 (2006: HK$3,272,000) represents contributions paid and payable to these schemes by the Group in respect of the current accounting period. At 31 March 2007, contributions of HK$26,000 (2006: HK$21,000) due in respect of the reporting period had not been paid over the schemes.

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 8 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 BALANCE SHEET OF THE COMPANY

	Notes	**2007 HK$'000**	2006 HK$'000
Investment in a subsidiary		**111,968**	111,968
Amounts due from subsidiaries		**175,883**	214,284
Other assets		**403**	356
Amounts due to subsidiaries		**(161,804)**	(161,976)
Other liabilities		**(235)**	(257)
		126,215	164,375
Share capital		**26,278**	26,248
Reserves	*(a)*	**99,937**	138,127
		126,215	164,375

Note:

(a) Reserves

	Share premium HK$'000	*Special reserve HK$'000*	*Share option reserve HK$'000*	*Retained profits HK$'000*	*Total HK$'000*
At 1 April 2005	*68,008*	*75,805*	*232*	*19,659*	*163,704*
Issue of shares upon exercise of share options	*164*	*–*	*–*	*–*	*164*
Issue of shares in lieu of cash dividends	*10,609*	*–*	*–*	*–*	*10,609*
Share issue expenses	*(82)*	*–*	*–*	*–*	*(82)*
Recognition of equity-settled share-based payment	*–*	*–*	*215*	*–*	*215*
Loss for the year	*–*	*–*	*–*	*(685)*	*(685)*
Dividends paid	*–*	*(35,798)*	*–*	*–*	*(35,798)*
At 31 March 2006	*78,699*	*40,007*	*447*	*18,974*	*138,127*
Issue of shares upon exercise of share options	*246*	*–*	*–*	*–*	*246*
Recognition of equity-settled share-based payment	*–*	*–*	*215*	*–*	*215*
Loss for the year	*–*	*–*	*–*	*(1,074)*	*(1,074)*
Dividends paid	*–*	*(37,577)*	*–*	*–*	*(37,577)*
At 31 March 2007	*78,945*	*2,430*	*662*	*17,900*	*99,937*

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

29. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 March 2007 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 *(note b)*	Principal activities
101 (Hong Kong) Limited	Hong Kong	HK$9	100%	Sales of optical frames and related products
101 Studio Limited	Hong Kong	HK$9	100%	Sales of optical frames and related products
New Prosperity Optical Manufactory Limited	BVI/PRC	US$1	100%	Property holding
Sun Hing Optical International Group Limited *(note b)*	BVI	HK$106	100%	Investment holding
Sun Hing Optical Manufactory Limited	Hong Kong	HK$2	100%	Manufacture and sales of optical frames 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 *(note a)*	PRC	HK$2,500,000	100%	Manufacture of optical frames and related products
紫金縣新基眼鏡五金配件有限公司 *(note a)*	PRC	HK$50,000,000	100%	Manufacture of optical frames and related products

Notes:

(a) The subsidiaries established in the PRC are registered as wholly foreign owned enterprises.

(b) Sun Hing Optical International Group Limited is directly held by the Company and all other subsidiaries are indirectly held.

None of the subsidiaries had any debt securities subsisting at the balance sheet date or at any time during the year.

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

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
Revenue	470,503	514,089	585,399	657,254	**965,990**
Profit before taxation	96,201	104,492	78,901	80,955	**138,428**
Taxation	(7,602)	(12,053)	(8,289)	(8,003)	**(12,526)**
Profit for the year	88,599	92,439	70,612	72,952	**125,902**

ASSETS AND LIABILITIES

	At 31 March				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
Total assets	505,124	595,744	645,483	721,387	**812,510**
Total liabilities	(95,052)	(128,715)	(136,223)	(163,523)	**(164,510)**
Shareholders' equity	410,072	467,029	509,260	557,864	**648,000**

Note: *The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs, that are effective for accounting periods beginning on or after 1 January 2005, relevant to the results and financial position of the Group for the year ended 31 March 2006. Financial information for 2005 has been restated for these new and revised policies in accordance with the transitional provisions. Financial information for earlier years have not been adjusted to take into account of the effect on application of these new and revised HKFRSs. Furthermore, the adoption of new and revised HKFRSs in 2007 has no material impact to the Group.*

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

Arculli Fong & Ng

LEGAL ADVISER ON BERMUDA LAW

Conyers Dill & Pearman

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PRINCIPAL SHARE REGISTRAR

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HONG KONG BRANCH SHARE REGISTRAR

Secretaries Limited
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28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
The Hong Kong and Shanghai Banking Corporate Limited
Citibank (Hong Kong) Limited

WEBSITE

www.sunhingoptical.com

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