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

2015-16

ANNUAL REPORT 年報

Stock Code 股份代號: 125

CONTENT

Sun Hing Vision Group is one of the world's largest ODM manufacturers for premium eyewear. We are committed to provide innovative solutions to our ODM customers, including prominent international fashion brands and designer names.

Sun Hing Vision Group is also a leading distributor of branded eyewear products with strong market presence in Asia. Our extensive brand portfolio includes Levi's®, New Balance, Jill Stuart, Celine Dion, Agnes b. as well as our house brand, Public.

Corporate Profile

Vision on Fashion Trend

We are passionate, fashion conscious and stay close to the needs of the market. Our deep understanding of the fashion trend allows us to develop superior products with sophisticated outfits and exciting features. We are proud of our product design and our creativity is one of the prominent attributes that helps us establish long-lasting trust with our customers.

Strength After Strength

Our people and industrial expertise are the foundation of our competitiveness. We have strong team of employees that consists of knowledgeable professionals from different disciplines. Our team understands the needs of our clients and is devoted to meet their every expectation. With decades of experience in the eyewear industry, we have developed unique knowhow in production, product development, distribution and operation management. Our industrial expertise allows us to stand out against competitors.

It is a never ending process to enhance competitiveness when we consider competitiveness in a sustainable dimension. We believe in the philosophy of continuous improvement and embed it into our culture. Everyday is a new opportunity for development and progress for us.

FINANCIAL HIGHLIGHTS

Revenue

(HK$'000) for year ended 31 March

2016 / $1,077,641

2015 / $1,213,513

2014 / $1,176,972

2013 / $1,164,777

2012 / $1,155,145

Profit Attributable to Owners of the Company

(HK$'000) for year ended 31 March

2016 / $55,440

2015 / $67,007 (restated)

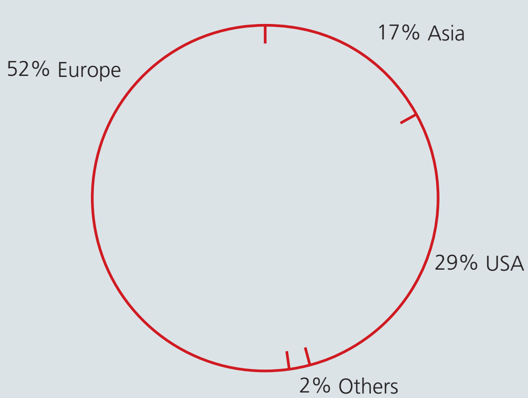
2014 / $44,691 (restated)

2013 / $53,232 (restated)

2012 / $83,496 (restated)

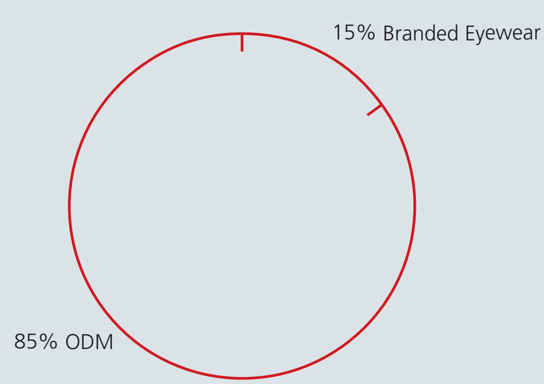
Revenue by Geographical Area

for year ended 31 March 2016



Revenue by Business Division

for year ended 31 March 2016



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 2016.

RESULTS

During the year under review, the Group's performance was adversely affected by the slow-down in the market demand for eyewear products. The Group's consolidated turnover decreased by 11.20% to HK$1,078 million (2015: HK$1,214 million) for the year ended 31 March 2016. As a result of the decrease in business volume and increased cost pressure, the profit attributable to owners of the Company decreased by 17.26% to HK$55 million (2015: HK$67 million). Accordingly, basic earnings per share decreased to HK21 cents (2015: HK25 cents).

DIVIDENDS

The Directors have resolved to recommend at the forthcoming annual general meeting a final dividend of HK10.0 cents per share and a final special dividend of HK7.0 cents per share for the year ended 31 March 2016, to the shareholders whose names appear in the register of members of the Company at the close of business on 1 September 2016. This final and final special dividend, together with the interim and interim special dividend of HK5.5 cents per share already paid, will make a total distribution of HK22.5 cents per share for the full year. The final dividend and final special dividend are expected to be paid on or about 15 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 August 2016 to 19 August 2016 (both days inclusive) and from 26 August 2016 to 1 September 2016 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong ("Hong Kong Share Registrar") not later than 4:00 p.m. on 15 August 2016. In order to qualify for the proposed final dividend and final special dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar not later than 4:00 p.m. on 25 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economy was highly volatile during the year under review. The strength of the U.S. dollar against Euro and other Asian currencies significantly undermined the purchasing power of our customers in Europe and Asia, which in turn unfavorably affected the demand for the Group's eyewear products. Given such a backdrop, the Group's consolidated turnover for the year dropped by 11.20% to HK$1,078 million (2015: HK$1,214 million). Meanwhile, the operating environment in China continued to be tough. In May 2015, the Chinese government increased the statutory minimum wages in Dongguan and Heyuan city, where the Group's production bases are located, by 15% and 20% respectively. This substantial increase in labour costs imposed severe pressure on the Group's operation. Nevertheless, part of such negative cost impact was offset by the Group's measures implemented in the past period to enhance manufacturing

LETTER TO SHAREHOLDERS (Continued)

efficiency and improve product mix. In addition, the depreciation of Renminbi in the middle of 15/16 fiscal year also helped to alleviate part of the Group's cost pressure. As a result, the Group was able to manage its gross profit margin at 21.71% (2015: 19.66%). However, due to the diseconomies of scale brought about by the decrease in business volume and also the generally higher cost environment, the Group's net profit margin decreased from 5.51% to 5.06%.

THE ODM BUSINESS

For the year ended 31 March 2016, the Group's original design manufacturing ("ODM") turnover decreased by 11.25% to HK$915 million (2015: HK$1,031 million), which represented 84.87% of the Group's total consolidated turnover. Europe continued to be the largest market of the Group's ODM business. During the year under review, the Group's ODM turnover to Europe dropped by 5.74% to HK$558 million (2015: HK$592 million). This was mainly due to the sluggish market demand as a result of the strong U.S. dollar and the weak European economy in general. United States was the second largest market of the Group. Although various economic indicators suggested that the economy of the United States performed relatively better than that of the Euro Zone, consumer confidence there remained weak, the Group's customers from the United States were very cautious about their own inventory risk and scaled down their annual purchase volume in order to reduce inventory exposure. As a result, the Group's ODM turnover to United States dropped by 20.41% to HK$312 million (2015: HK$392 million) during the year under review. In terms of geographical allocation, Europe and United States accounted for 61.05% and 34.08% of the Group's ODM turnover respectively. In terms of product mix, sales of plastic frames, metal frames and others accounted for 55%, 44% and 1% (2015: 58%, 40% and 2%) of the Group's ODM turnover respectively.

THE BRANDED EYEWEAR DISTRIBUTION BUSINESS

For the year ended 31 March 2016, the Group's turnover contributed by the branded eyewear distribution business decreased by 10.93% to HK$163 million (2015: HK$183 million), which represented about 15.13% of the Group's total consolidated turnover. The decrease in turnover was caused by the decline of demand from the Group's major customers in Asia and other emerging countries as a result of the significant depreciation of major Asian and emerging countries' currencies against the U.S. dollar during most of the time of the year under review. Moreover, the overall performance of the Group's distribution business was also adversely affected by the significant slowdown of the Chinese economy in the second half of 15/16 fiscal year. Asia continued to be the largest market of the Group. It accounted for 85.77% of the Group's distribution turnover. Within Asia, China and Japan were the top performing countries which contributed about 32.00% and 13.52% respectively of the Group's distribution turnover.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a strong liquidity and financial position. It held a cash and bank balance of HK$361 million as at 31 March 2016 and did not have any bank borrowings throughout the year. Net cash inflow from operations amounted to HK$114 million during the reporting fiscal year. The Group will continue to adopt a prudent approach to manage its cash flows, without compromising the needs for investing in carefully selected assets that will enhance the

LETTER TO SHAREHOLDERS (Continued)

Group's long term productivity as well as the new business opportunities that are strategically important to increase the Group's value.

Given the Group's strong cash position, the Directors have again resolved to declare a final special dividend of HK7.0 cents per share on the top of the final dividend of HK10.0 cents per share for the year ended 31 March 2016. The Directors will continue to monitor the dividend policy closely to ensure that an optimal balance can be achieved between the retention of sufficient liquidity in the Group to prepare for the uncertainty ahead and the distribution of earnings to the shareholders respectively.

As at 31 March 2016, the net current assets and current ratio of the Group were approximately HK$626 million and 4.1:1 respectively. The equity attributable to owners of the Group decreased to HK$925 million as at 31 March 2016 from HK$936 million as at 31 March 2015 after the payment of dividends during the year under review. The Group cautiously managed its inventory and carefully controlled its credit exposure. Accordingly, debtor turnover period and inventory turnover period were managed at 107 days and 57 days respectively. The Directors are confident that the financial position of the Group will remain strong, and the Group has sufficient liquidity and financial resources to meet its present commitments and future business plans.

FOREIGN EXCHANGE EXPOSURE

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

HUMAN RESOURCES

The Group had a workforce of over 6,500 people as at 31 March 2016. The Group remunerates its employees based on their performance, years of service, work experience and the prevailing market situation. Bonuses and other incentive payments are granted on a discretionary basis based on individual performance, years of service and overall operating results of the Group. Other employee benefits include medical insurance scheme, mandatory provident fund scheme or other retirement benefit scheme, subsidised or free training programs and participation in the Company's share option scheme.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2016, other than those disclosed in the financial statements, there were no charges on the Group's assets or any significant contingent liabilities.

CAPITAL COMMITMENT

Details of the Group's capital commitment are set out in Note 27 to the consolidated financial statements.

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

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

LETTER TO SHAREHOLDERS (Continued)

PROSPECTS

It is expected that the business environment will remain tough in the coming year. First of all, interest rate is expected to rise in the United States in the near future. If that happens, the demand from European and Asian market is likely to be adversely affected by the new wave of appreciation of the U.S. dollar against currencies in these regions. Secondly, the slowing Chinese economy will lead to the decrease in demand for eyewear products there on the one hand, and the increase in further uncertainty for the global economy as a whole on the other hand. Thirdly, over a longer run, the Chinese government is determined to improve the living standard of the general workers, and is likely to introduce further policies to increase labour income. This will possibly push up labour costs in China, which in turn imposes additional cost pressure on the Group.

In view of the challenges ahead, the Group will continue to work even more closely together with the key customers with an aim to further integrate with their supply chains and create greater value for their overall operations. Internally, the Group will continue to streamline its operation in order to shorten lead time and increase efficiency. Resources will be spent on carefully selected fixed assets that are strategically important to automate the production processes. Meanwhile, the Group will continue to explore ways to further increase the flexibility of its production capacity so that it can respond swiftly to any fluctuation in market demand as a result of the volatile economic situation.

For the distribution business, in order to cater for the needs of more price-conscious consumers, we will widen our product offering by introducing product lines in different price segments and with market-oriented designs that are tailor-made for specific countries. We will also enhance our products' functionality by incorporating new features with excitement. Brand portfolio will be further optimized to ensure that our branded products will be in line with the Group's overall strategy and development plan. Taking this opportunity, the Directors are pleased to announce that the Group has successfully obtained the worldwide exclusive right to manufacture and distribute eyewear products for the reputable brand "Agnes b.". The first collection of "Agnes b." products is expected to be launched in the 16/17 fiscal year. We believe that the inclusion of this new brand will enhance our competitiveness and provide the Group with new business opportunities in the years to come.

Looking forward, the business environment is expected to be full of challenges. Levering on our strength and expertise in the industry, we are confident that the Group will overcome these difficulties, and will create long term value for our shareholders as well as deliver the objective of achieving sustainable growth in long run.

APPRECIATION

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

Ku Ngai Yung, Otis	**Ku Ka Yung**
Chairman	*Deputy Chairman*

Hong Kong, 24 June 2016

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ku Ngai Yung, Otis, aged 49, is the chairman and managing Director of the Group. He is also a director of certain Group members. Mr. Ku holds a bachelor of arts degree majoring in administrative and commercial studies from the University of Western Ontario, Canada. He joined the Group in June 1988. He is responsible for the Group's overall corporate policy making, strategic planning and business development. He is the brother of Mr. Ku Ka Yung.

Mr. Ku Ka Yung, aged 43, is the deputy chairman and chief financial officer of the Group. He is also a director of certain group members. Mr. Ku is responsible for the Group's accounting and financial management. He holds a bachelor of commerce degree from the University of Toronto, Canada and a master of business administration degree from McGill University, Montreal, Canada. He is a certified public accountant in the US and joined the Group in August 1996. He is currently an independent non-executive director of Shenzhen Forms Syntron Information Co., Ltd., which is a company listed on the Shenzhen Stock Exchange. Mr. Ku is the brother of Mr. Ku Ngai Yung, Otis.

Mr. Tsang Wing Leung, Jimson, aged 48, joined the Group in February 1989 and was the executive Director responsible for the Group's product development and purchasing activities until 31 May 2016. Mr. Tsang tendered his resignation as an executive director of the Company with effect from 1 June 2016. Before his resignation, he also held position of other Group member.

Mr. Chan Chi Sun, aged 50, is the executive Director responsible for the general administration of the Group. He also holds directorships and other positions of other Group members. Mr. Chan holds a bachelor degree from the University of Western Ontario, Canada. He joined the Group in June 1994. He is responsible for the overall administration of the Group and has extensive experience in information technology.

Ms. Ma Sau Ching, aged 54, is the executive Director responsible for the marketing development of the Group. She also holds position of other Group member. Ms. Ma holds a master of business administration degree in strategic marketing from the University of Hull, United Kingdom, and a diploma in management studies from the Hong Kong Polytechnic University. She joined the Group in December 1997.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Wa Kei, Roy, aged 45, has been an independent non-executive Director of the Group since 1 May 1999. He is a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. He is also the founding executive vice president and council member of the Hong Kong Independent Non-Executive Director Association. Mr. Lo has over twenty three years of experience in auditing, accounting, risk management and finance. He is the managing partner of SHINEWING (HK) CPA Limited. He is also currently an independent non-executive director of China Oceanwide Holdings Limited, China Zhongwang Holdings Limited, Sheen Tai Holdings Group Company Limited and Xinming China Holdings Limited and was an independent non-executive director of North Mining Shares Company Limited until 24 November 2015. The above companies are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Mr. Lee Kwong Yiu, aged 53, has over twenty years of experience in Hong Kong law as a qualified solicitor. He is now the principal of Philip K. Y. Lee & Co. Solicitors. He is also the Associate Member of the Chartered Institute of Arbitrators and is a China-Appointed Attesting Officer since 20 April 2006. Mr. Lee has been appointed as an independent non-executive Director since 1 May 2001. He was also an independent non-executive director of Tesson Holdings Limited (formerly known as Kith Holdings Limited) and ABC Communications (Holdings) Limited (now known as Ban Loong Holdings Limited) until 26 April 2016 and 6 October 2014 respectively. Both companies are listed on the Stock Exchange.

Mr. Wong Che Man, Eddy, aged 56, has over twenty four 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 has been appointed as an independent non-executive Director since 21 September 2004. He is currently an independent non-executive director of China All Access (Holdings) Limited, which is a company listed on the Stock Exchange.

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 Corporate Governance Code (the "CG Code") and the Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year ended 31 March 2016, the Company has complied with all applicable code provisions in the CG Code which were effective during the period between 1 April 2015 to 31 March 2016, 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 2016.

BOARD OF DIRECTORS

During the period between 1 April 2015 to 31 March 2016, the Board comprises of five executive Directors, namely Mr. Ku Ngai Yung, Otis (Chairman), Mr. Ku Ka Yung (Deputy Chairman), Mr. Tsang Wing Leung, Jimson, Mr. Chan Chi Sun and Ms. Ma Sau Ching and three independent non-executive Directors (representing at least one-third of the Board), namely Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy. On 26 April 2016, Mr. Tsang Wing Leung, Jimson tendered his resignation as an executive director of the Company with effect from 1 June 2016.

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 and Senior Management on page 13. The Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company.

The Board conducted 4 Board meetings, all of such meetings were regular Board meetings in compliance with Code A.1.1 of the CG Code, during the year ended 31 March 2016. The attendance of each Director is set out as follows:

Directors	**Attendance Record**
Mr. Ku Ngai Yung, Otis *(Chairman)*	4/4
Mr. Ku Ka Yung *(Deputy Chairman)*	4/4
Mr. Tsang Wing Leung, Jimson	4/4
Mr. Chan Chi Sun	4/4
Ms. Ma Sau Ching	3/4
Mr. Lo Wa Kei, Roy	4/4
Mr. Lee Kwong Yiu	4/4
Mr. Wong Che Man, Eddy	4/4

CORPORATE GOVERNANCE REPORT (Continued)

The Board is charged with 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 operation and reviews the Company's compliance with applicable laws and regulation. The implementation of strategy, management of daily operations and administration of the Group's affairs are delegated to the management team.

The Board is also responsible for performing the corporate governance function of the Company in accordance with written terms of reference that are consistent with the duties as set out in Code D.3.1 of the CG Code. During the year ended 31 March 2016, the Board has performed the duties and reviewed the corporate governance report and monitored the Company's compliance with the CG Code. The Board has also reviewed the Company's policies and practice on corporate governance.

Mr. Ku Ngai Yung, Otis is the brother of Mr. Ku Ka Yung.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code A.2.1 of the CG Code provides, inter alia, that the roles of chairman and chief executive 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. Ku Ngai Yung, Otis, an executive Director, and Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy, both independent non-executive Directors were re-elected as Directors at the 2015 annual general meeting for a term of no more than three years and subject to retirement by rotation in accordance with the Bye-laws.

Mr. Ku Ka Yung and Mr. Chan Chi Sun, both executive Director, and Mr. Lo Wa Kei, Roy, an independent non-executive Directors, will retire at the forthcoming 2016 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)

CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Under Code A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding, placing an appropriate emphasis on the roles, functions and duties of the Directors. During the year ended 31 March 2016, all Directors, other than Mr. Lo Wa Kei Roy, attended a seminar on the Directors' duties, responsibilities and liabilities under the Companies Ordinance (Cap. 622, Laws of Hong Kong) organized by the Company and conducted by the Company's legal advisor, Messrs. King & Wood Mallesons. All Directors were also provided by the Company with materials designed for refreshing knowledge on relevant laws and regulations. According to the records maintained by the Company, Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy participated in courses, seminars and other continuous professional development programs required for their professional practices. Details of the professional qualifications of each Director are set out in the section of Directors and Senior Management on page 13.

COMPANY SECRETARY

Mr. Lee Kar Lun, Clarence was appointed as the company secretary of the Company on 26 October 2012. He is a full time employee of the Group and possesses the professional qualifications as required under rule 3.28 of the Listing Rules. Mr. Lee Kar Lun, Clarence confirmed that he has undertaken not less than 15 hours of relevant professional training during the year ended 31 March 2016 in accordance with rule 3.29 of the Listing Rules.

REMUNERATION COMMITTEE

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

The Remuneration Committee held 1 meeting during the year ended 31 March 2016. 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 2016, the Remuneration Committee has reviewed and made recommendations to the Board on the remuneration packages of individual Directors and senior management and the overall remuneration policy of the Group and assessed performance of the Directors.

CORPORATE GOVERNANCE REPORT (Continued)

AUDIT COMMITTEE

An audit committee (the "Audit Committee") has been established by the Company with written terms of reference to act in an advisory capacity and to make recommendations to the Board. The members of the Audit Committee comprise the three independent non-executive Directors, who are Mr. Lo Wa Kei, Roy (Chairman), Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy. Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy are both qualified certified public accountants and possess the qualifications as required under rule 3.21 of the Listing Rules. None of the members of the Audit Committee is a member of the former or existing auditors of the Group. The Audit Committee has adopted the principles set out in the CG Code. The duties of the Audit Committee include review of the interim and annual reports of the Group as well as various auditing, financial reporting and internal control matters with the management and/or external auditor of the Company.

During the year ended 31 March 2016, the Audit Committee held 2 meetings. Attendance of each audit committee member is set out as follows:

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

During the year ended 31 March 2016, the Audit Committee has performed the above duties, including making recommendations to the Board regarding internal control matters, and reviewing the interim and annual reports of the Group. The Group's consolidated financial statements for the year ended 31 March 2016 have been reviewed by the Audit Committee and audited by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu.

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$1,120,000
Non-audit services	
Interim results review	HK$200,000
Tax compliance and advisory services	HK$149,100
Internal control review	HK$65,000

CORPORATE GOVERNANCE REPORT (Continued)

NOMINATION COMMITTEE

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

During the year ended 31 March 2016, the Nomination Committee held 1 meeting. Attendance of each nomination committee member is set out as follows:

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

During the year ended 31 March 2016, the Nomination Committee has monitored and reviewed the nomination procedures and process for the nomination of Directors, reviewed the composition of the Board and made recommendation to the Board on matters related to election and retirement of the Directors. With the existing Board members coming from a variety of business and professional background, the Nomination Committee considers that the Board possesses a balance of skills, experience and diversity appropriate to the requirements of the Company's business.

ACCOUNTABILITY AND INTERNAL CONTROL

The Directors acknowledge their responsibility to prepare financial statements for the financial year ended 31 March 2016 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 2016, the Directors have adopted suitable accounting policies which are pertinent to the Group's operation and relevant to the financial statements, have made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The Directors' responsibilities for the preparation of the financial statements, and the responsibilities of the auditor to the shareholders, are set out in the auditor's report on page 29.

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.

CORPORATE GOVERNANCE REPORT (Continued)

During the year ended 31 March 2016, the Board has assessed the effectiveness of the Group's internal control system through (i) conducting regular management meetings to discuss and handle internal control issues; (ii) reviewing the findings made by the auditor in respect of issues encountered during the processes of annual audit and interim review; and (iii) engaging a specialized division of Messrs. Deloitte Touche Tohmatsu to assess the internal controls in respect of certain key business operations of the Group. Based on the results of the assessment, the Board is satisfied with the effectiveness of the internal control system of the Group. Appropriate actions are being taken to address the areas for improvement identified.

GENERAL MEETING

During the year ended 31 March 2016, there was one general meeting (the annual general meeting). The attendance of each Director is set out as follows:

Directors	Attendance Record
Mr. Ku Ngai Yung, Otis *(Chairman)*	1/1
Mr. Ku Ka Yung *(Deputy Chairman)*	1/1
Mr. Tsang Wing Leung, Jimson	1/1
Mr. Chan Chi Sun	1/1
Ms. Ma Sau Ching	1/1
Mr. Lo Wa Kei, Roy	1/1
Mr. Lee Kwong Yiu	1/1
Mr. Wong Che Man, Eddy	1/1

COMMUNICATION WITH SHAREHOLDERS

A shareholders communication policy was established in February 2012 (the "Shareholders Communication Policy"). In line with the Shareholders Communication Policy, information will be communicated to shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the published disclosure submitted to The Stock Exchange of Hong Kong Limited ("Stock Exchange") and its other corporate communications. Shareholders and the investment community may at any time obtain the latest published financial reports of the Company through the websites of the Company and the Stock Exchange. The Board will maintain an on-going dialogue with the shareholders and the investment community, and will regularly review the Shareholders Communication Policy to ensure its effectiveness.

SHAREHOLDERS' RIGHTS

PROCEDURES BY WHICH SHAREHOLDERS CAN CONVENE A SPECIAL GENERAL MEETING

Shareholders of the Company are required to observe and fully comply with all applicable regulations and laws of Bermuda and the By-laws in convening a special general meeting. Pursuant to the Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the relevant provisions set out in the Companies Act 1981 of Bermuda (the "Act").

CORPORATE GOVERNANCE REPORT (Continued)

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders may send their direct enquiries to the Board in writing by mail through the company secretary of the Company to the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda ("Registered Office") and the Company's principal place of business in Hong Kong at 1001C, 10th Floor, Sunbeam Centre, 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong ("Hong Kong Principal Office").

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Shareholders of the Company are required to observe and fully comply with all applicable regulations and laws of Bermuda and the Bye-laws in putting forward proposals at general meetings. In addition, shareholders of the Company are also required to comply with the following requirements unless they are contradicting to the laws and regulations of Bermuda. In case of contradiction, the regulations and laws of Bermuda shall prevail.

To put forward a proposal at a shareholders' meeting, shareholders are requested to submit a written request stating the resolution intended to be moved at the general meeting; or a statement with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request/statements must be signed by the shareholder(s) concerned and deposited at the Company's Registered Office and its Hong Kong Principal Office, for the attention of the company secretary of the Company. Proposals put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the results will be posted on the websites of the Stock Exchange and the Company after the relevant general meeting.

INVESTOR RELATIONS

There has been no significant change in the Company's constitutional documents during the year ended 31 March 2016.

DIRECTORS' REPORT

The Directors of Sun Hing Vision Group Holdings Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 30.

An interim dividend of HK4.5 cents per share of the Company amounting to approximately HK$11,825,000 and an interim special dividend of HK1 cents per share amounting to approximately HK$2,628,000 were paid to the shareholders of the Company during the year. The Directors now recommend a final dividend of HK10.0 cents per share amounting to approximately HK$26,278,000 and a final special dividend of HK7.0 cent per share amounting to approximately HK$18,394,000 to the shareholders of the Company whose names appear on the register of members at the close of business on 1 September 2016.

REVIEW OF THE GROUP'S BUSINESS AND KEY PERFORMANCE INDICATORS

A review of the Group's business and the related analysis of the Group's key performance indicators (including gross profit ratio, net profit ratio, current ratio, debtor turnover period and inventory turnover period) are set out in the paragraph headed "Management Discussion and Analysis" of the "Letter to Shareholders" section on page 9. Indication of likely future development of the Group and the important events occurred since the end of the financial year are set out in the paragraph headed "Prospects" of the same section on page 12.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operation and financial position may be affected by certain risks and uncertainties. Principal risks identified by the Group include market risk, credit risk and liquidity risk. Details of those risks are set out in note 6 to the consolidated financial statements. Details of uncertainties associated with accounting estimation are set out in note 4 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group and its business activities are subject to various laws and regulations, including Bermuda Companies Act 1981, Hong Kong Companies Ordinance (Cap 622 of the Laws of Hong Kong) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Group recognises the importance of regulatory compliance and has measures in place to ensure that the Group's operation complies with relevant laws and regulations which have a significant impact on the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is dedicated to promote sustainable development in environment and has established policies that covers aspects including reduction of waste and energy consumption. It periodically monitors performance related to environmental policies.

DIRECTORS' REPORT (Continued)

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$69,073,000 to maintain and upgrade its facilities. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

KEY RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Directors are of the view that employees, suppliers and customers are important for the Group's development. The Group is dedicated to establish and has maintained long-term relationships with the above mentioned stakeholders.

The Group's relationship with its employees is based on the principal of trust and respect. It provides its employees with competitive remunerations package with reference to the prevailing market situation. A further discussion of the Group's human resources management, is set out in the paragraph headed "Human Resources" of the "Letter to Shareholders" section on page 11.

The Group develops strategic relationship with its suppliers and customers and works together with them to achieve synergy. Further details of the Group's major customers and suppliers are disclosed under heading "Major Customers and Suppliers" below.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 78.2% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 28.7% of the Group's total sales.

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

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31 March 2016, the Company's reserves available for distribution comprising retained profits of HK$147,921,000 (2015: HK$157,736,000).

DIRECTORS' REPORT (Continued)

DIRECTORS

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

EXECUTIVE DIRECTORS:

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

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

* On 26 April 2016, Mr. Tsang Wing Leung, Jimson tendered his resignation as an executive director of the Company with effect from 1 June 2016

In accordance with Bye-Laws 87(1) and 90 of the Company's bye-laws, Mr. Ku Ka Yung, Mr. Chan Chi Sun and Mr. Lo Wa Kei, Roy will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining Directors continue in office.

The term of office of each executive 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 and Mr. Tsang Wing Leung, Jimson has entered into a service agreement with the Company for an initial term of two years commencing on 1 May 1999 and continuing thereafter until terminated by not less than three months' prior written notice served by either party.

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

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 an initial term of three years. The term of Mr. Lo Wa Kei, Roy commenced from 20 September 2004 and continuing thereafter until terminated by not less than three months' prior written notice served by either party. The term of Mr. Lee Kwong Yiu commenced from 4 September 2003 for a term of three years and continuing thereafter until terminated by not less than three months' prior written notice served by either party. The term of Mr. Wong Che Man, Eddy commenced from 21 September 2004 for a term of three years and continuing thereafter until terminated by not less than three months' prior written notice served by either party.

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

DIRECTORS' REPORT (Continued)

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company and the Group were entered into or existed during the year.

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

As at 31 March 2016, the interests and short positions of the Directors and chief executives of the Company, and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

1. SHARES IN THE COMPANY (LONG POSITIONS)

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

Note:

(i) 137,359,382 ordinary shares of the Company were held by United Vision International Limited, which is ultimately and wholly-owned by The Vision Trust, a discretionary trust settled by Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung, the discretionary objects of which include Mr. Ku Ngai Yung, Otis and his spouse, Mr. Ku Ka Yung and his spouse, Ms. Ku Ling Wah, Phyllis (sister of Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung) and their respective children who are under the age 18.

2. UNDERLYING SHARES IN THE COMPANY (SHARE OPTIONS)

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

Save as disclosed above, as at 31 March 2016, none of the Directors, chief executives, nor their associates, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT (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 share option scheme (the "2004 Share Option Scheme") was adopted in order to comply with the amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in relation to share option schemes.

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

During the year ended 31 March 2016 and as at the date of this report, there was no share in respect of which share options had been granted and remained outstanding under the Old Share Option Scheme and the 2004 Share Option Scheme. No further share options can be granted upon termination of the Old Share Option Scheme and the 2004 Share Option Scheme.

Under the 2014 Share Option Scheme, the maximum number of shares available for issue is 10% of the issued share capital of the Company. No share options have been granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme since its adoption. Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the board of directors shall not grant share options to any grantee if the acceptance of those share options would result in the total number of the shares issued and to be issued upon exercise of the share options granted including those granted (whether or not cancelled) under the 2014 Share Option Scheme and to be granted to such grantee (including exercised, cancelled and outstanding share options) in any 12-month period exceeding 1% of the issued share capital of the Company from time to time.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company or any of its holding companies, 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which the Company or any of its holding companies, 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.

DIRECTORS' REPORT (Continued)

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

As at 31 March 2016, the following parties (other than those disclosed under the headings "Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures" and "Share Options" above) were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company which is so far as known to any Director or chief executive of the Company:

Name	Number of ordinary shares held	Percentage of the issued share capital of the Company
Substantial Shareholders		
United Vision International Limited *(Note i)*	137,359,382	52.27%
Marshvale Investments Limited *(Note i)*	137,359,382	52.27%
HSBC International Trustee Limited *(Notes i & ii)*	138,177,382	52.58%
Ku Ling Wah, Phyllis *(Notes i, ii & iii)*	137,359,382	52.27%
Other Persons		
FMR LLC *(Note iv)*	24,192,000	9.21%
Webb David Michael *(Notes v & vi)*	26,132,000	9.94%
Preferable Situation Assets Limited *(Note vi)*	18,443,000	7.02%

Notes:

(i) As at 31 March 2016, United Vision International Limited ("UVI") is wholly-owned by Marshvale Investments Limited ("Marshvale"). By virtue of UVI's interests in the Company, Marshvale is deemed to be interested in 137,359,382 shares of the Company under the SFO. Marshvale is wholly-owned by HSBC International Trustee Limited ("HSBC Trustee"). By virtue of Marshvale's indirect interests in the Company, HSBC Trustee is deemed to be interested in 137,359,382 shares of the Company under the SFO. Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung are directors of UVI.

(ii) 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. According to a corporate substantial shareholder notice filed by HSBC Trustee on 24 October 2005, as at 19 October 2005 (i.e. the date of the relevant event as set out in the corporate substantial shareholder notice filed on 24 October 2005), of the 138,177,382 shares of the Company held by HSBC Trustee, 137,359,382 shares of the Company were held indirectly through UVI as mentioned in note (i) above and 818,000 shares of the Company were held as trustee.

(iii) Ms. Ku Ling Wah, Phyllis is one of the discretionary objects of The Vision Trust, the discretionary trust settled by Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung mentioned above. As at 31 March 2016, The Vision Trust ultimately and wholly owned UVI, which held 137,359,382 shares of the Company.

DIRECTORS' REPORT (Continued)

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

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

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

All the interests stated above represent long position. Save as disclosed above, as at 31 March 2016, no other person had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO or was otherwise a substantial shareholder of the Company.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes are set out in note 23 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 2016.

DIRECTORS' REPORT (Continued)

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

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

EQUITY-LINKED AGREEMENT

Other than the information disclosed in this directors' report and the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the financial year under review.

PERMITTED INDEMNITY PROVISION

Pursuant to Bye-law 166(1) of the Bye-Laws of the Company, the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Company throughout the year.

CORPORATE GOVERNANCE

The corporate governance report is set out on pages 14 to 20.

AUDITOR

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

On behalf of the Board
Ku Ngai Yung, Otis
Chairman

Hong Kong, 24 June 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Sun Hing Vision Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 76, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	NOTES	**2016** **HK$'000**	2015 HK$'000 (restated)
Revenue	*7*	**1,077,641**	1,213,513
Cost of sales		**(843,705)**	(974,898)
Gross profit		**233,936**	238,615
Other income, gains and losses	*8*	**(3,064)**	4,427
Selling and distribution costs		**(28,490)**	(23,534)
Administrative expenses		**(138,966)**	(136,511)
Profit before tax		**63,416**	82,997
Income tax expense	*9*	**(8,851)**	(16,190)
Profit for the year	*10*	**54,565**	66,807
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(1,928)**	178
Total comprehensive income for the year		**52,637**	66,985
Profit (loss) for the year attributable to:			
Owners of the Company		**55,440**	67,007
Non-controlling interests		**(875)**	(200)
		54,565	66,807
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**53,546**	67,172
Non-controlling interests		**(909)**	(187)
		52,637	66,985
Earnings per share			
Basic	*14*	**HK21 cents**	HK25 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	NOTES	31 March 2016 HK$'000	31 March 2015 HK$'000 (restated)	1 April 2014 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	15	**293,586**	274,547	290,581
Prepaid lease payments	16	**3,223**	3,314	3,405
Deposit paid for acquisition of property, plant and equipment		**2,393**	1,876	1,860
Deferred tax assets	24	**555**	536	339
		299,757	280,273	296,185
CURRENT ASSETS				
Inventories	17	**132,569**	153,450	174,899
Trade and other receivables	18	**331,933**	325,182	329,625
Prepaid lease payments	16	**91**	91	91
Derivative financial instruments	19	**194**	747	–
Tax recoverable		**75**	59	1,384
Pledged bank deposits		**–**	–	936
Bank balances and cash	20	**360,585**	379,142	335,331
		825,447	858,671	842,266
CURRENT LIABILITIES				
Trade and other payables	21	**189,693**	189,068	207,895
Derivative financial instruments	19	**–**	53	5,506
Tax payable		**9,863**	12,424	744
		199,556	201,545	214,145
NET CURRENT ASSETS		**625,891**	657,126	628,121
		925,648	937,399	924,306

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	NOTES	31 March 2016 HK$'000	31 March 2015 HK$'000 (restated)	1 April 2014 HK$'000 (restated)
CAPITAL AND RESERVES				
Share capital	22	**26,278**	26,278	26,278
Share premium and reserves		**898,484**	909,318	897,330
Equity attributable to owners of the Company		**924,762**	935,596	923,608
Non-controlling interests		**203**	1,112	–
		924,965	936,708	923,608
NON-CURRENT LIABILITY				
Deferred tax liabilities	24	**683**	691	698
		925,648	937,399	924,306

The consolidated financial statements on pages 30 to 76 were approved and authorised for issue by the Board of Directors on 24 June 2016 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 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note)	Property revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2014									
As previously reported	26,278	78,945	18,644	18,280	(203)	801,235	943,179	–	943,179
Effect of changes in accounting policies *(note 2B)*	–	–	–	(18,280)	–	(1,291)	(19,571)	–	(19,571)
As restated	26,278	78,945	18,644	–	(203)	799,944	923,608	–	923,608
Profit (loss) for the year (restated)	–	–	–	–	–	67,007	67,007	(200)	66,807
Exchange difference arising on translation of foreign operations	–	–	–	–	165	–	165	13	178
Total comprehensive income (expense) for the year (restated)	–	–	–	–	165	67,007	67,172	(187)	66,985
Capital contributions by non-controlling interests of a subsidiary	–	–	–	–	–	–	–	1,299	1,299
Dividends recognised as distribution *(note 13)*	–	–	–	–	–	(55,184)	(55,184)	–	(55,184)
At 31 March 2015 (restated)	26,278	78,945	18,644	–	(38)	811,767	935,596	1,112	936,708
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**55,440**	**55,440**	**(875)**	**54,565**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(1,894)**	**–**	**(1,894)**	**(34)**	**(1,928)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**(1,894)**	**55,440**	**53,546**	**(909)**	**52,637**
Dividends recognised as distribution *(note 13)*	**–**	**–**	**–**	**–**	**–**	**(64,380)**	**(64,380)**	**–**	**(64,380)**
At 31 March 2016	**26,278**	**78,945**	**18,644**	**–**	**(1,932)**	**802,827**	**924,762**	**203**	**924,965**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	NOTE	**2016 HK$'000**	2015 HK$'000 (restated)
OPERATING ACTIVITIES			
Profit before tax		**63,416**	82,997
Adjustments for:			
Allowance for inventories		**17,967**	16,622
Bank interest income		**(1,498)**	(2,870)
Depreciation of property, plant and equipment		**49,440**	51,934
Fair value changes on derivative financial instruments		**500**	(6,200)
Loss (gain) on disposals of property, plant and equipment		**139**	(100)
Gain on disposal of subsidiaries		**–**	(1,071)
Impairment losses recognised on trade receivables		**551**	3,304
Impairment losses reversed on trade receivables		**(101)**	(3,925)
Bad debts directly written off		**–**	10
Recovery of bad debts written off		**(90)**	(724)
Release of prepaid lease payments		**91**	91
Operating cash flows before movements in working capital		**130,415**	140,068
Decrease in inventories		**1,945**	4,838
(Increase) decrease in trade and other receivables		**(7,721)**	5,910
Increase (decrease) in trade and other payables		**951**	(18,813)
Cash generated from operations		**125,590**	132,003
Income tax paid		**(11,454)**	(3,389)
NET CASH FROM OPERATING ACTIVITIES		**114,136**	128,614
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(68,117)**	(39,795)
Deposit paid for acquisition of property, plant and equipment		**(1,473)**	(514)
Interest received		**1,498**	2,870
Proceeds on disposal of property, plant and equipment		**154**	1,391
Proceeds on disposal of subsidiaries, net of cash disposed of	25	**–**	4,171
Withdrawal of pledged bank deposits		**–**	936
NET CASH USED IN INVESTING ACTIVITIES		**(67,938)**	(30,941)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	2016 HK$'000	2015 HK$'000 (restated)
FINANCING ACTIVITIES		
Dividends paid	**(64,380)**	(55,184)
Contribution by non-controlling interests of a subsidiary	**–**	1,299
NET CASH USED IN FINANCING ACTIVITIES	**(64,380)**	(53,885)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(18,182)**	43,788
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**379,142**	335,331
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(375)**	23
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**360,585**	379,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 the British Virgin Islands ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 31.

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

2A. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2A. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

HKFRS 9 *FINANCIAL INSTRUMENTS*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2015 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future is not expected to have material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2A. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

HKFRS 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS*

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 *LEASES*

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2A. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

HKFRS 16 *LEASES* (CONTINUED)

The directors of the Company will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

Other than disclosed above, the directors of the Company do not anticipate that the application of these new or revised HKFRSs will have material effect on the amounts recognised in the consolidated financial statements.

2B. CHANGE IN ACCOUNTING POLICIES

In accordance with HKAS 16 *Property, Plant and Equipment* issued by HKICPA, leasehold land and buildings can either be accounted for using the cost model or the revaluation model after their initial recognition. The Group accounted for its leasehold land and buildings using the revaluation model in previous years.

During the year ended 31 March 2016, the Group changed its accounting policy in respect of its leasehold land and buildings from the revaluation model to the cost model by taking into consideration the following factors:

- Most of the leasehold land and buildings held by listed companies in Hong Kong in the manufacturing and retail industries are accounted for using the cost model. Therefore, using the cost model can align the Group's accounting policies with industry peers and improve comparability of the Group's financial performance with industry peers.

- The Group's leasehold land and buildings are not expected to be sold in normal course of business, instead, the future economic benefits embodied in the properties will be recovered principally through use in the Group's operations.

The directors of the Company are of the opinion that the changes in accounting policies fairly reflect the actual situation of the Group's property, plant and equipment and are in compliance with relevant HKFRS and enable the Group to provide more relevant consolidated financial information about its performance and financial position.

The changes in accounting policies have been accounted for retrospectively and the relevant comparative figures have been restated.

The effect of the changes in accounting policies described above on the results for the current and prior years by line items are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2B. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

The effect of the changes in accounting policies on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016 and 2015 by line items are as follows:

	2016 HK$'000	2015 HK$'000
Decrease in administrative expenses	447	399
Decrease in income tax expense	7	7
Increase in profit for the year attributable to owners of the Company	454	406
Increase (decrease) in surplus on revaluation of leasehold land and buildings	2,675	(2,960)
(Increase) decrease in deferred tax charge arising on leasehold land and buildings	(441)	488
Increase (decrease) in other comprehensive income for the year attributable to owners of the Company	2,234	(2,472)
Increase (decrease) in total comprehensive income for the year attributable to owners of the Company	2,688	(2,066)
Increase in earnings per share attributable to owners of the Company – Basic (cents)	0.17	0.15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2B. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

The effect of the changes in accounting policies on the financial position of the Group at 1 April 2014 are as follows:

	As previously reported HK$'000	Adjustments HK$'000	As restated HK$'000
Property, plant and equipment	313,179	(22,598)	290,581
Deferred tax liabilities	(3,725)	3,027	(698)
Total effect on net assets	309,454	(19,571)	289,883
Property revaluation reserve	(18,280)	18,280	–
Retained profits	(801,235)	1,291	(799,944)
Total effect on reserves	(819,515)	19,571	(799,944)

The effect of the changes in accounting policies on the financial position of the Group at 31 March 2015 are as follows:

	As previously reported HK$'000	Adjustments HK$'000	As restated HK$'000
Property, plant and equipment	299,706	(25,159)	274,547
Deferred tax liabilities	(4,213)	3,522	(691)
Total effect on net assets	295,493	(21,637)	273,856
Property revaluation reserve	(20,752)	20,752	–
Retained profits	(812,652)	885	(811,767)
Total effect on reserves	(833,404)	21,637	(811,767)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

REVENUE RECOGNITION

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Costs include professional fees, amortisation of prepaid lease payment provided during the construction period and, for qualifying assets, borrowing costs capitalised in according with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use (i.e. when they are in the location or condition necessary for them to be capable of operating in the manner intended by management).

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

LEASING

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease terms on a straight line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES

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

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

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

RETIREMENT BENEFIT COSTS

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

TAXATION

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

IMPAIRMENT LOSSES ON TANGIBLE ASSETS

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

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

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

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

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

Financial assets

The Group's financial assets are classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 6c.

Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 to 120 days, observable changes in national or local economic conditions that correlate with default on trade receivables.

An impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the loans and receivables' original effective interest rate.

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities and equity instruments (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to employees

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share options granted to employees (continued)

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

ESTIMATED IMPAIRMENT OF TRADE RECEIVABLES

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2016, the carrying amount of trade receivables is approximately HK$316,245,000 (2015: HK$312,219,000).

INVENTORY VALUATION

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Market price of merchandises is generally the selling price of similar items transacted in the market. The Group reviews its inventory levels in order to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount, the Group accounts for the inventory loss in the profit or loss as write down of inventories. Included in cost of sales is an amount of approximately HK$17,967,000 (2015: HK$16,622,000) in respect of a write-down of raw materials, work in progress and finished goods to their estimated net realisable values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and to achieve optimisation of capital structure. The Group's overall strategy remains unchanged from prior year.

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

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

6. FINANCIAL INSTRUMENTS

6A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2016	2015
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**680,948**	695,814
FVTPL		
Derivative financial instruments	**194**	747
Financial liabilities		
Amortised cost	**121,691**	122,445
FVTPL		
Derivative financial instruments	**–**	53

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, derivative financial instruments, 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. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain group entities have sales and purchases denominated in United States dollars ("USD"), Renminbi ("RMB"), Euro ("EUR") and Japanese Yen ("JPY") other than the functional currency of respective entities, which expose the Group to market risk arising from changes in foreign exchange rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities which included trade and other receivables, bank balances and cash and trade and other payables, excluding derivative financial instruments, at the reporting date are as follows:

	Assets		**Liabilities**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**581,596**	553,385	**27,098**	29,256
RMB	**47,570**	67,667	**45,038**	54,099
EUR	**661**	1,600	**2,585**	2,609
JPY	**84**	238	**1,123**	818

Management of the Group monitors foreign exchange exposure and uses foreign exchange forward contracts and/or other appropriate tools to mitigate foreign currency exposure when necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(i) *Currency risk (continued)*

Sensitivity analysis

The Group is mainly exposed to the fluctuation of relevant foreign currency against HK$.

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

	2016	2015
	HK$'000	HK$'000
RMB impact	**(106)**	(567)
EUR impact	**80**	42
JPY impact	**43**	24

(ii) *Interest rate risk*

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

Credit risk

As at 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is represented by the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables, derivative financial instruments and bank balances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

The credit risks on derivative financial instruments and liquid funds are limited because the counterparties are banks with good reputation.

The Group has concentration of credit risks with exposure limited to certain counterparties and customers. At the end of reporting period, five customers that are located in Europe accounted for HK$245,332,000 (2015: HK$226,475,000) of the Group's trade receivables. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

Liquidity risk

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

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

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Liquidity table

	On demand or 1–30 days HK$'000	**31–90 days HK$'000**	**91–365 days HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount at 31.3.2016 HK$'000**
2016					
Non-derivative financial instruments					
Trade and other payables	**93,871**	**18,553**	**9,267**	**121,691**	**121,691**

	On demand or 1–30 days HK$'000	31–90 days HK$'000	91–365 days HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2015 HK$'000
2015					
Non-derivative financial instruments					
Trade and other payables	75,030	41,239	6,176	122,445	122,445
Derivatives – net settlement					
Derivative financial instruments	1	52	–	53	53

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. FINANCIAL INSTRUMENTS (CONTINUED)

6C. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Financial assets/ financial liabilities	Fair value as at 31.3.2016	Fair value as at 31.3.2015	Fair value hierarchy	Valuation techniques and key inputs
Derivative financial instruments *(note 19)*	Assets – HK$194,000	Assets – HK$747,000 Liabilities – HK$53,000	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates

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

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

7. SEGMENT INFORMATION

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

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

	Non-current assets	
	2016	2015
	HK$'000	HK$'000
		(restated)
Places of domicile of the relevant group entity:		
– Hong Kong	**9,526**	10,856
– Guangdong Province in the PRC	**224,875**	198,091
Other place:		
– Guangdong Province in the PRC	**64,801**	70,790
	299,202	279,737

	Revenue from external customers	
	2016	2015
	HK$'000	HK$'000
Place of domicile of the relevant group entity:		
– Hong Kong	**48,557**	40,200
– The PRC	**53,653**	60,964
Other places:		
– Italy	**511,612**	493,190
– United States	**311,685**	392,384
– Other countries	**152,134**	226,775
	1,077,641	1,213,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. SEGMENT INFORMATION (CONTINUED)

INFORMATION ABOUT MAJOR CUSTOMERS

Each of the three (2015: three) largest customers of the Group contributes more than 10% of the Group's revenue for the current year. For the year ended 31 March 2016, revenue attributed from these three customers is approximately HK$293,342,000 (2015: HK$295,134,000), HK$217,307,000 (2015: HK$256,049,000) and HK$157,064,000 (2015: HK$230,410,000) respectively.

8. OTHER INCOME, GAINS AND LOSSES

	2016	2015
	HK$'000	HK$'000
Bank interest income	**1,498**	2,870
Impairment losses recognised on trade receivables	**(551)**	(3,304)
Impairment losses reversed on trade receivables	**101**	3,925
Bad debts directly written off	**–**	(10)
Recovery of bad debts written off	**90**	724
Net foreign exchange losses	**(3,631)**	(7,395)
(Loss) gain on disposals of property, plant and equipment	**(139)**	100
Fair value changes on derivative financial instruments	**(500)**	6,200
Gain on disposal of subsidiaries	**–**	1,071
Others	**68**	246
	(3,064)	4,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. INCOME TAX EXPENSE

	2016 **HK$'000**	2015 HK$'000 (restated)
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	**10,623**	9,356
– PRC Enterprise Income Tax ("EIT")	**5,353**	6,890
	15,976	16,246
(Over) underprovision in respect of prior years		
– Hong Kong Profits Tax	**(2,000)**	89
– PRC EIT	**(5,098)**	59
	(7,098)	148
Deferred taxation *(note 24)*		
– Current year	**(27)**	(204)
	8,851	16,190

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

PRC EIT is calculated at 25% of the assessable profits for subsidiaries established in the PRC in accordance with the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 **HK$'000**	2015 HK$'000 (restated)
Profit before tax	**63,416**	82,997
Tax at the Hong Kong Profits Tax rate of 16.5%	**10,464**	13,695
Tax effect of expenses not deductible in determining taxable profit	**9,375**	3,996
Tax effect of income not assessable in determining taxable profit	**(1,389)**	(1,498)
(Over) under provision in respect of prior years	**(7,098)**	148
Tax effect of Hong Kong Profits Tax on 50:50 apportionment basis	**(5,345)**	(3,349)
Tax effect of tax losses not recognised	**1,255**	1,166
Utilisation of tax loss previously not recognised	**(210)**	(188)
Effect of different tax rates of operations in the PRC	**1,799**	2,220
Income tax expense for the year	**8,851**	16,190

Details of the deferred taxation are set out in note 24.

10. PROFIT FOR THE YEAR

	2016 **HK$'000**	2015 HK$'000 (restated)
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,320**	1,290
Cost of inventories recognised as expense (inclusive of allowance for inventories of approximately HK$17,967,000 (2015: HK$16,622,000))	**826,254**	955,097
Depreciation of property, plant and equipment	**49,440**	51,934
Release of prepaid lease payments	**91**	91
Staff costs		
– directors' emoluments *(note 11)*	**5,761**	4,832
– other staff costs, comprising mainly salaries	**398,641**	423,300
– retirement benefit scheme contribution excluding those of directors'	**34,844**	33,175
	439,246	461,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2015: eight) directors, being the senior management of the Group, were as follows:

	Year ended 31 March 2016			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors				
Ku Ngai Yung, Otis	800	208	25	1,033
Ku Ka Yung	568	438	18	1,024
Tsang Wing Leung, Jimson	682	294	38	1,014
Chan Chi Sun	751	294	42	1,087
Ma Sau Ching	853	342	48	1,243
	3,654	1,576	171	5,401
Independent non-executive directors				
Lo Wa Kei, Roy	120	–	–	120
Lee Kwong Yiu	120	–	–	120
Wong Che Man, Eddy	120	–	–	120
	360	–	–	360
	4,014	1,576	171	5,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

	Year ended 31 March 2015			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors				
Ku Ngai Yung, Otis	500	208	25	733
Ku Ka Yung	268	438	18	724
Tsang Wing Leung, Jimson	567	294	36	897
Chan Chi Sun	661	294	41	996
Ma Sau Ching	734	342	46	1,122
	2,730	1,576	166	4,472
Independent non-executive directors				
Lo Wa Kei, Roy	120	–	–	120
Lee Kwong Yiu	120	–	–	120
Wong Che Man, Eddy	120	–	–	120
	360	–	–	360
	3,090	1,576	166	4,832

The executive directors' emoluments shown above were mainly for their directorship and/or services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The Company does not officially have a position of Chief Executive Officer. However, Mr. Ku Ngai Yung, Otis has been assuming the role of Chief Executive Officer. His emoluments disclosed above include those for services rendered by him as the role of Chief Executive Officer.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included four (2015: three) directors of the Company whose emoluments are set out in note 11. The emoluments of the remaining one (2015: two) individual was as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**1,050**	1,762
Retirement benefit scheme contribution	**42**	58
	1,092	1,820

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2016 **Number of employees**	2015 Number of employees
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	1

During the years ended 31 March 2016 and 2015, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Dividends recognised as distribution during the year:		
Final, paid – HK10.0 cents per share for 2015 (2015: HK10.0 cents per share for 2014)	**26,278**	26,278
Special final, paid – HK9.0 cents per share for 2015 (2015: HK5.0 cents per share for 2014)	**23,650**	13,139
Interim, paid – HK4.5 cents per share for 2016 (2015: HK4.5 cents per share for 2015)	**11,825**	11,825
Special interim, paid – HK1.0 cent per share for 2016 (2015: HK1.5 cents per share for 2015)	**2,627**	3,942
	64,380	55,184

A final dividend of HK10.0 cents (2015: HK10.0 cents) per share in total of HK$26,278,000 (2015: HK$26,278,000) and a special final dividend of HK7.0 cents (2015: HK9.0 cents) per share in total of HK$18,394,000 (2015: HK$23,650,000) in respect of the year ended 31 March 2016 have been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2016 HK$'000	2015 HK$'000 (restated)
Earnings		
Earnings for the purposes of basic earnings per share	**55,440**	67,007
Number of shares		
Number of ordinary shares for the purposes of basic earnings per share	**262,778,286**	262,778,286

Diluted earnings per share is not presented for the years ended 31 March 2016 and 2015 as there was no potential ordinary share outstanding during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK$'000	buildings in the PRC HK$'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								
At 1 April 2014								
As previously reported	28,000	74,574	201,891	408,186	128,749	9,168	12,882	863,450
Effect of changes in accounting policies *(note 2B)*	(19,957)	19,126	–	–	–	–	–	(831)
As restated	8,043	93,700	201,891	408,186	128,749	9,168	12,882	862,619
Exchange realignment	–	–	–	–	(2)	–	–	(2)
Additions	–	–	14,040	17,376	4,556	617	3,704	40,293
Transfers	–	–	321	2,288	–	–	(2,609)	–
Disposals/write-off	–	–	–	(2,837)	(19)	(319)	–	(3,175)
Disposal of subsidiaries *(note 25)*	–	–	(3,768)	–	–	–	–	(3,768)
At 31 March 2015 (restated)	8,043	93,700	212,484	425,013	133,284	9,466	13,977	895,967
Exchange realignment	–	(257)	(6)	–	(59)	–	–	(322)
Additions	–	23,038	17,515	18,070	7,893	700	1,857	69,073
Transfer	–	–	12,806	80	–	–	(12,886)	–
Disposal/written off	–	–	–	(1,108)	(16)	(414)	–	(1,538)
At 31 March 2016	8,043	116,481	242,799	442,055	141,102	9,752	2,948	963,180
DEPRECIATION								
At 1 April 2014								
As previously reported	–	–	137,545	298,865	107,382	6,479	–	550,271
Effect of changes in accounting policies *(note 2B)*	2,641	19,126	–	–	–	–	–	21,767
As restated	2,641	19,126	137,545	298,865	107,382	6,479	–	572,038
Provided for the year	161	1,874	17,798	22,926	8,097	1,078	–	51,934
Eliminated on disposals/write-off	–	–	–	(1,546)	(19)	(319)	–	(1,884)
Eliminated on disposal of subsidiaries *(note 25)*	–	–	(668)	–	–	–	–	(668)
At 31 March 2015 (restated)	2,802	21,000	154,675	320,245	115,460	7,238	–	621,420
Exchange realignment	–	–	(1)	–	(20)	–	–	(21)
Provided for the year	161	1,987	17,215	22,052	7,059	966	–	49,440
Eliminated on disposals/write-off	–	–	–	(815)	(16)	(414)	–	(1,245)
At 31 March 2016	2,963	22,987	171,889	341,482	122,483	7,790	–	669,594
CARRYING VALUES								
At 31 March 2016	5,080	93,494	70,910	100,573	18,619	1,962	2,948	293,586
At 31 March 2015 (restated)	5,241	72,700	57,809	104,768	17,824	2,228	13,977	274,547
At 1 April 2014 (restated)	5,402	74,574	64,346	109,321	21,367	2,689	12,882	290,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. 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:

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

16. PREPAID LEASE PAYMENTS

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

	2016	2015
	HK$'000	HK$'000
Non-current asset	**3,223**	3,314
Current asset	**91**	91
	3,314	3,405

17. INVENTORIES

	2016	2015
	HK$'000	HK$'000
Raw materials	**45,328**	51,555
Work in progress	**63,663**	72,084
Finished goods	**23,578**	29,811
	132,569	153,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. TRADE AND OTHER RECEIVABLES

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

	2016	2015
	HK$'000	HK$'000
Trade receivables		
Current	**294,799**	278,812
Overdue up to 90 days	**15,349**	26,236
Overdue more than 90 days	**6,097**	7,171
	316,245	312,219
Prepayments	**9,979**	6,620
Deposits	**3,355**	3,702
Other receivables	**1,645**	2,641
Amount due from an entity controlled by non-controlling shareholder of a subsidiary *(Note)*	**637**	–
Amount due from a non-controlling shareholder of a subsidiary *(Note)*	**72**	–
Trade and other receivables	**331,933**	325,182

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

No interest is charged on the trade receivables. Trade receivables are provided for based on assessment by the Group of the estimated future cash flows with reference to past default experience. The Group has provided fully for all receivables aged over 360 days because historical experience is such that receivables that are past due beyond 360 days are generally not recoverable.

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

Included in the Group's trade receivables balance are receivables with a carrying amount of HK$21,446,000 (2015: HK$33,407,000) which are past due at the reporting date for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2016 **HK$'000**	2015 HK$'000
At beginning of the year	**3,344**	3,925
Impairment losses recognised on trade receivables	**551**	3,304
Amount recovered during the year	**(101)**	(3,925)
Exchange adjustments	**(185)**	40
At end of the year	**3,609**	3,344

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

19. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments mainly represent the foreign currency forward contracts. The Group has entered into 2 (2015: 19) USD/RMB contracts in which the Group is able to sell USD/buy RMB at fixed exchange rates at a fixed future time. Major terms of the above foreign currency contracts are as below:

Aggregate notional amount	**Maturity**	**Forward exchange rates**
As at 31 March 2016		
US$1,480,000	**April 2016**	**Sell USD/buy RMB at 6.5183 to 6.7153**
As at 31 March 2015		
US$15,000,000	From April 2015 to September 2015	Sell USD/buy RMB at 6.2140 to 6.4027

20. 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 0.01% to 0.79% (2015: 0.01% to 0.81%) per annum and have maturity of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. TRADE AND OTHER PAYABLES

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

	2016 HK$'000	2015 HK$'000
Trade payables		
Current and overdue up to 90 days	**97,983**	80,936
Overdue more than 90 days	**9,015**	29,885
	106,998	110,821
Accruals	**68,002**	66,623
Amount due to an entity controlled by non-controlling interests of a subsidiary *(Note)*	**397**	46
Amount due to a non-controlling shareholder of a subsidiary *(Note)*	**–**	309
Other payables	**14,296**	11,269
	189,693	189,068

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

22. SHARE CAPITAL

	Number of ordinary shares	**Nominal amount** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2014, 31 March 2015 and 31 March 2016	500,000,000	50,000
Issued and fully paid:		
At 1 April 2014, 31 March 2015 and 31 March 2016	262,778,286	26,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. SHARE OPTIONS

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

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

The purpose of the 2014 Share Option Scheme is to provide incentives to eligible employees. Under the 2014 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 2014 Share Option Scheme will expire on 21 August 2024.

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 2014 Share Option Scheme and any other share option scheme established by the Company, if any, is 26,277,828, representing 10% of the issued share capital of the Company at the date of approval of the 2014 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 2014 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 2004 Share Option Scheme and the 2014 Share Option Scheme since their adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 **HK$'000**	2015 HK$'000 (restated)
Deferred tax assets	**(555)**	(536)
Deferred tax liabilities	**683**	691
	128	155

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

	Accelerated tax depreciation HK$'000
At 1 April 2014 (restated)	359
Credit to profit or loss	(204)
At 31 March 2015 (restated)	155
Credit to profit or loss	(27)
At 31 March 2016	128

At 31 March 2016, the Group has unused tax losses of HK$16,779,000 (2015: HK$10,530,000) 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 Hong Kong tax losses of HK$1,881,000 (2015: HK$3,349,000) may be carried forward indefinitely. At 31 March 2016, the remaining PRC tax losses of HK$14,896,000 (2015: HK$7,181,000) will expire in various dates in the next five years.

Under the EIT Law of the PRC, 10% withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards to non-PRC resident investors of the companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to such undistributed profits of the PRC subsidiaries amounting to approximately HK$29,938,000 (2015: HK$39,632,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2015, the Group disposed of its entire interests in Parkside Holdings Limited and its subsidiary to an independent third party at an aggregate cash consideration of HK$4,320,000.

The net assets of the subsidiaries at the dates of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	4,320
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	3,100
Bank balances	149
Net assets disposed of	3,249
Gain on disposal of subsidiaries:	
Consideration received	4,320
Net assets disposed of	(3,249)
Gain on disposal of subsidiaries	1,071
Net cash inflow arising on disposal:	
Cash consideration	4,320
Less: bank balances disposed of	(149)
	4,171

The subsidiaries disposed of did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. OPERATING LEASES

The Group made minimum lease payments of approximately HK$13,924,000 (2015: HK$13,537,000) under operating leases during the year in respect of premises.

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

	2016	2015
	HK$'000	HK$'000
Within one year	**14,039**	13,753
In the second to fifth year inclusive	**14,373**	23,059
Over five years	**938**	1,475
	29,350	38,287

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

27. CAPITAL AND OTHER COMMITMENTS

	2016	2015
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of plant and machinery	**2,119**	8,892
– Factory under construction or renovation	**5,502**	2,147
	7,621	11,039
Commitments contracted for but not provided in the consolidated financial statements in respect of license fee for brandnames:		
Within one year	**9,025**	9,935
In the second to fifth year inclusive	**13,536**	5,965
	22,561	15,900
	30,182	26,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. RETIREMENT BENEFITS SCHEME

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

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

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

The retirement benefit scheme contribution arising from the Defined Contribution Scheme, the MPF Scheme and the PRC state-managed retirement benefit scheme charged to profit or loss represents 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$35,015,000 (2015: HK$33,341,000) represents contributions paid and payable to these schemes by the Group in respect of the current financial year.

29. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parities:

Relationship with related parties	**Nature of transaction**	**2016** **HK$'000**	2015 HK$'000
An entity controlled by non-controlling shareholder of a subsidiary	Management fees	**234**	–
Non-controlling shareholder of a subsidiary	Management fees	**–**	53

COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	Note	**2016** **HK$'000**	2015 HK$'000
Investment in a subsidiary		**111,968**	111,968
Amounts due from subsidiaries		**240,476**	269,826
Other assets		**58,995**	39,513
Amounts due to subsidiaries		**(157,894)**	(157,952)
Other liabilities		**(401)**	(396)
		253,144	262,959
Share capital		**26,278**	26,278
Share premium and reserve	*(i)*	**226,866**	236,681
		253,144	262,959

Note:

(i) Share premium and reserve

	Share premium HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2014	78,945	173,957	252,902
Profit for the year	–	38,963	38,963
Dividends recognised as distribution *(note 13)*	–	(55,184)	(55,184)
At 31 March 2015	78,945	157,736	236,681
Profit for the year	–	54,565	54,565
Dividends recognised as distribution *(note 13)*	–	(64,380)	(64,380)
At 31 March 2016	78,945	147,921	226,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries of the Company at 31 March 2016 and 2015 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 2016	2015	Principal activities
Sun Hing Optical International Group Limited *(note a)*	The BVI	HK$106	**100%**	100%	Investment holding
101 (Hong Kong) Limited	Hong Kong	HK$4	**100%**	100%	Sales of optical frames, sunglasses and related products
101 Studio Limited	Hong Kong	HK$9	**100%**	100%	Sales of optical frames, sunglasses and related products
New Prosperity Optical Manufactory Limited	The BVI/PRC	US$1	**100%**	100%	Property holding
Sun Hing Optical Manufactory Limited	Hong Kong	HK$2	**100%**	100%	Manufacturing and sales of optical frames, sunglasses and related products
Yorkshire Holdings Limited	Hong Kong	HK$10	**100%**	100%	Property holding
紫金縣新基眼鏡五金配件有限公司*(Note b)*	The PRC	HK$100,200,000	**100%**	100%	Manufacturing of optical frames, sunglasses and related products
東莞新溢眼鏡制造有限公司*(Note b)*	The PRC	US$29,000,000	**100%**	100%	Manufacturing of optical frames, sunglasses and related products
深圳佰萊德貿易有限公司*(Note b)*	The PRC	US$3,000,000 (2015: US$1,000,000)	**100%**	100%	Sales of optical frames, sunglasses and related products
廣州市窗外企業管理有限公司*(Note b)*	The PRC	RMB4,000,000 (2015: RMB2,000,000)	**51%**	51%	Sales of optical frames, sunglasses and related products

Notes:

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

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

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

None of the subsidiaries had issued any debt securities subsisting at 31 March 2016 or at any time during the year.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(restated)	(restated)	(restated)	(restated)	
Revenue	1,155,145	1,164,777	1,176,972	1,213,513	**1,077,641**
Profit before tax	93,768	60,808	48,434	82,997	**63,416**
Income tax expense	(10,272)	(7,576)	(3,743)	(16,190)	**(8,851)**
Profit for the year	83,496	53,232	44,691	66,807	**54,565**
Profit (loss) for the year attributable to:					
Owners of the Company	83,496	53,232	44,691	67,007	**55,440**
Non-controlling interests	–	–	–	(200)	**(875)**
	83,496	53,232	44,691	66,807	**54,565**

ASSETS AND LIABILITIES

	At 31 March				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(restated)	(restated)	(restated)	(restated)	
Total assets	1,106,174	1,146,238	1,138,451	1,138,944	**1,125,204**
Total liabilities	(188,312)	(223,517)	(214,843)	(202,236)	**(200,239)**
Shareholders' equity	917,862	922,721	923,608	936,708	**924,965**
Attributable to:					
Owners of the Company	917,862	922,721	923,608	935,596	**924,762**
Non-controlling interests	–	–	–	1,112	**203**
	917,862	922,721	923,608	936,708	**924,965**

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Lee Kar Lun, Clarence

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER IN HONG KONG

King & Wood Mallesons

LEGAL ADVISER ON BERMUDA LAW

Conyers Dill & Pearman

REGISTERED OFFICE

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Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1001C, 10th Floor, Sunbeam Centre
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Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
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Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
The Hongkong and Shanghai Banking Corporation Limited
Citibank, N.A.

WEBSITE

www.sunhingoptical.com

* On 26 April 2016, Mr. Tsang Wing Leung, Jimson tendered his resignation as an executive director of the Company with effect form 1 June 2016.

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