STOCK CODE 股份代號：**125**

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

ANNUAL REPORT 2007/08 二零零七年至二零零八年年報

Contents

Corporate Profile

Sun Hing has become a leader in the ODM eyewear industry by pushing creative boundaries and delivering fresh concepts that shape the fashion scene in major markets around the world. Eyewear is a focal point of the personal brand – and Sun Hing responds with a full range of choices that combine style and function at different price points. Working collaboratively, our cross-functional teams use the latest design, technology and materials to develop durable eyewear products for customers who want to convey themes of trendiness, elegance, seriousness or fun.

It takes a unique style of management to run a company as successful as Sun Hing in today's eyewear products market. Sun Hing senior managers are

Open-minded

knowledge seekers and committed to melding new and old ways of doing things throughout the organization to achieve their mission to be a premiere global eyewear designer, manufacturer and marketer.

The Sun Hing Management Team is focused on increasing productivity in business processes throughout the company. We avail ourselves of powerful tools and expert advice wherever possible in our ongoing efforts to drive stakeholder value.

Sun Hing strives to elevate our employee experience by creating a positive, nurturing environment. Our managers encourage professional development and foster continuous learning and creative risk-taking. Our employees are the brains behind some of

the most intriguing and ingenious metal and plastic ophthalmic frames and sunglasses on the market today.

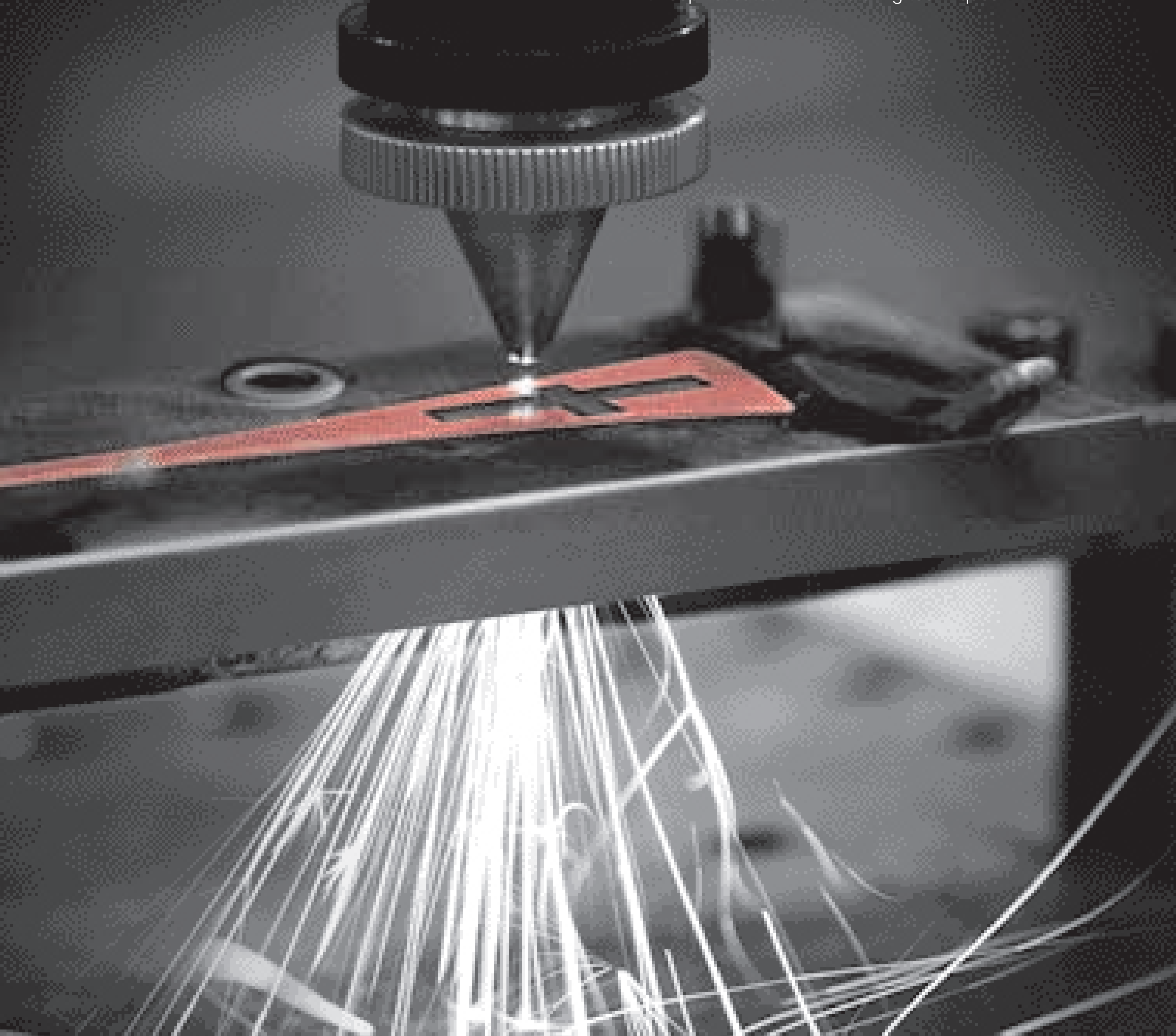
{your customized Curve}

The Crossroads of Style and Function

Combining optimal style and function for wide consumer appeal, we continue setting the global standard in the ODM eyewear space.

Smart operations, process management and advanced technology help us manage costs and keep productivity levels high – key elements of our customer value proposition. The ERP software applications empower many areas of our business and give us the flexibility to react quickly to competitive challenges to secure our position in the forefront of our industry.

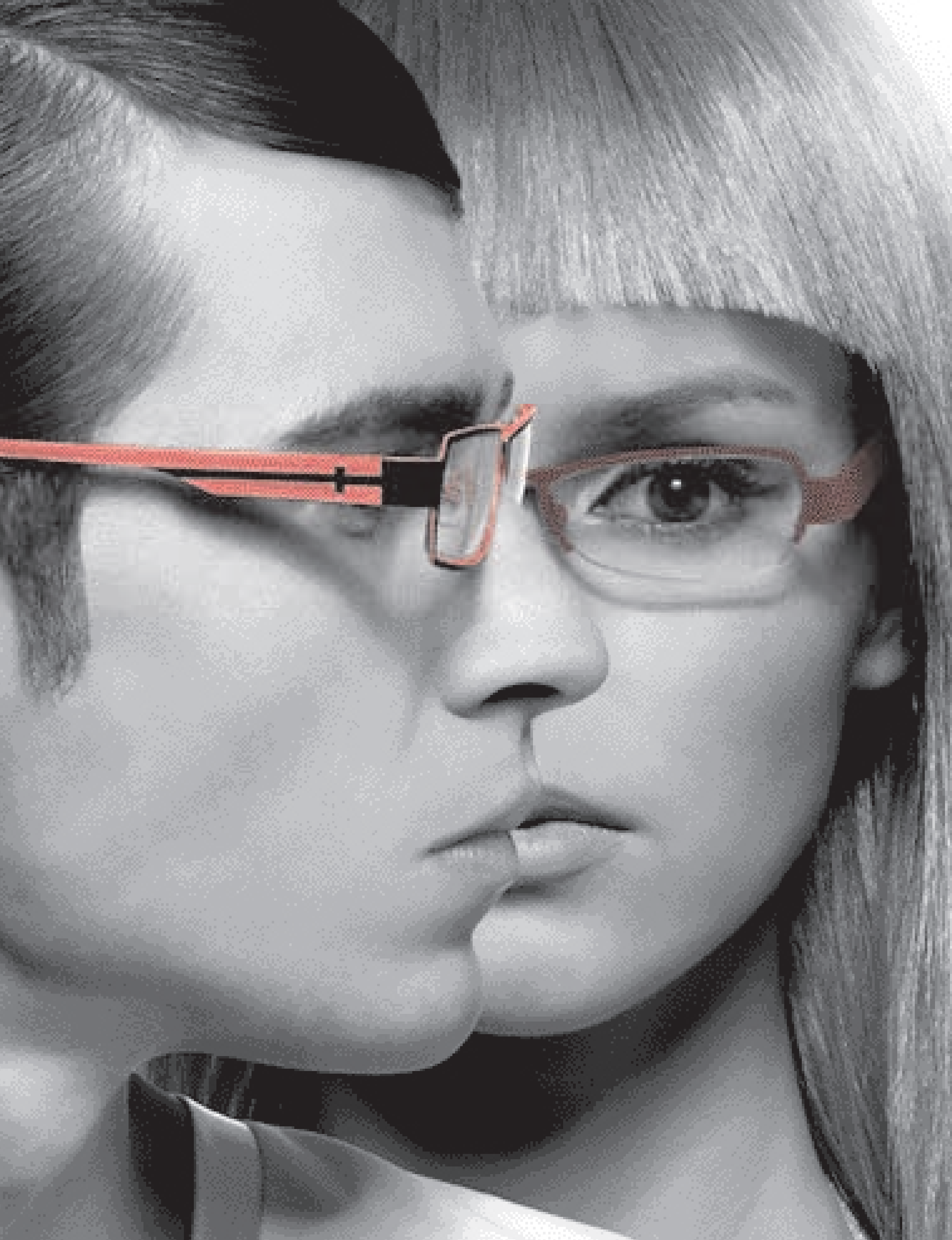
We manufacture some of the most inspired metal and plastic ophthalmic frames and sunglasses on the market today. **Our cutting-edge designs are produced using several types of machinery including anti-oxidize and laser soldering, automatic wire stretching and CNC machining equipments.** To drive stakeholder value continuousely, we create exciting eyewear products with sophisticated manufacturing techniques.

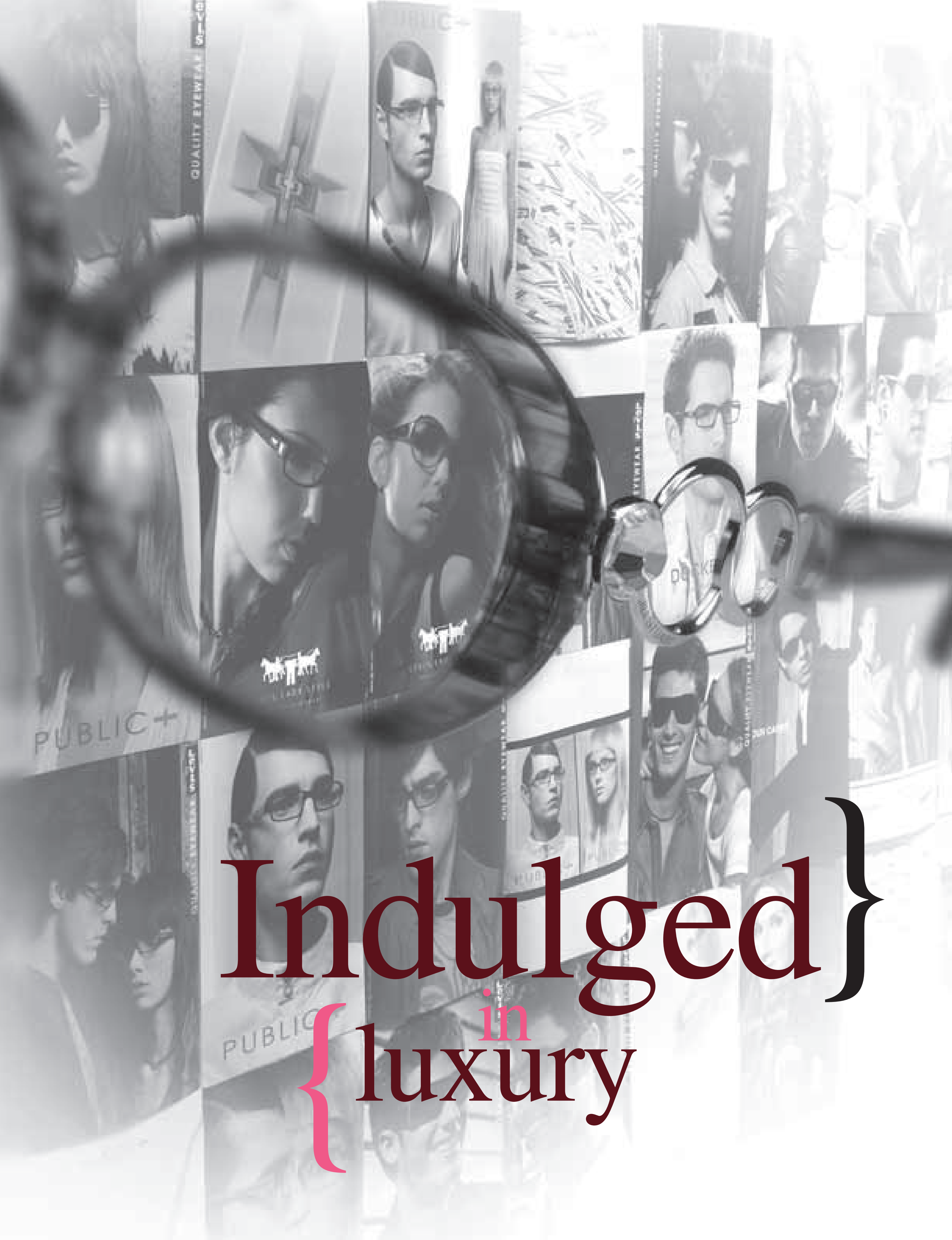


Product is the

CREATION OF DREAM + IMAGINATION + EXPERIENCE !

At Sun Hing, we have the exceptionally talented designers who dare to dream impossible; we cannot be more proud of the team. Nevertheless, design does not come from designers alone. It has its root in life. **Our designers observe, while life inspires. We create products to make people see better, look better and feel better.**





Indulged {in luxury}

Brands That Build Loyalty

Our deep expertise in brand management and distribution helps to attract customers and keep them for long-term profitability.

Our brand portfolio has evolved into something truly diverse and interesting, covering distinguished market segments. While Celine Dion eyes appeals to customers looking for feminine and romantic styles, Cour Carre and Jill Stuart win the heart of those who embrace urban chic with subtle twists.

The young and outgoing find their voices in Levi's®, Levi's® Lady Style, New Balance and Dockers®, the new licensed brand in our portfolio. Our house brand, Public+, the embodiment of implicit and thoughtfulness, is making impressive progress with its sharp and bold designs. **Application of new technology and material brings in new energies.**

No two brands are alike. In brand management, we adopt specific, dedicated approach to make sure that each brand upholds its unique brand essence and personality.

{let the good times Roll}

Our Efforts in Environmental Protection

Sun Hing has been a leader in the industry since 2000 when we were among the first to obtain ISO14OO1 certification for our environmental protection management systems. We have proactively invested substantial amount in air and noise pollution control and water recycling systems. **Sun Hing is also equally focused on initiative to save energy company-wide and train our employees in procedures for smart energy use.**

Our Assets

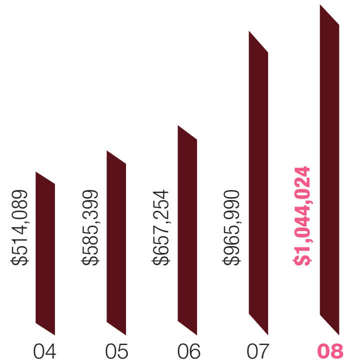
Our success stems from identifying and persuading the very best people to be part of our team. Sun Hing has developed individuals who perform satisfying work leading to an increase in productivity, capability and adaptability. This increased bench strength has established a better linkage between individuals' efforts and our business goals. In turn, a better fit between people's jobs and skills. We trust that our people turn each project into a success, bringing forward the results that one expects, on time and within budget. **Our customers trust us because we deliver more than we promise.**

Financial Highlights

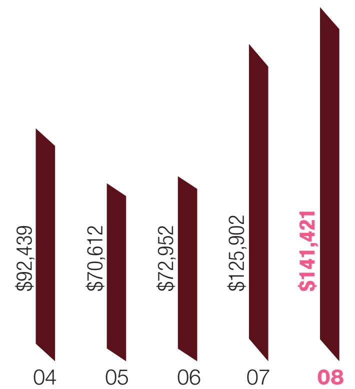
Turnover of the Group increased by 8%

to HK$1,044 million

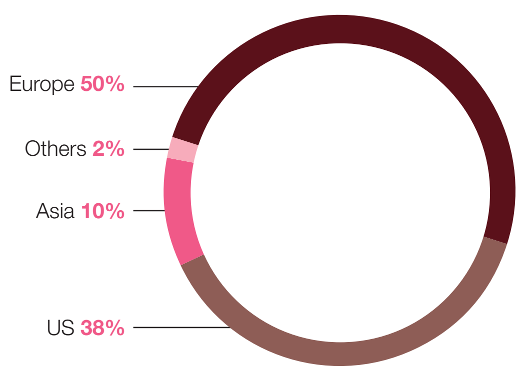
**Turnover (HK$'000)
for year ended
31 March**



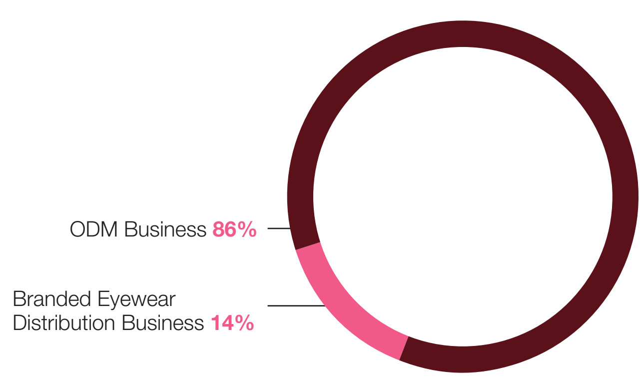
**Profit Attributable to
Shareholders
(HK$'000)
for year ended
31 March**



**Turnover by
Geographical Area
for year ended
31 March 2008**



**Turnover by
Business Division
for year ended
31 March 2008**



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 2008.

RESULTS

For the year ended 31 March 2008, turnover of the Group increased by 8% to HK$1,044 million (2007: HK$966 million), and the net profit of the Group increased by 12% to HK$141 million (2007: HK$126 million). Basic earnings per share increased to HK54 cents (2007: HK48 cents).

Final and Special Dividends

The directors (the "Directors") of the Company have resolved to recommend at the forthcoming annual general meeting a final dividend of HK10.0 cents per share and a final special dividend of HK3.0 cents per share for the year ended 31 March 2008, to the shareholders whose names appear in the register of members of the Company at the close of business on 22 August 2008. This final and final special dividend, together with the interim and interim special dividend of HK7.3 cents per share already paid, will make a total distribution of HK20.3 cents per share for the full year. The final dividend and final special dividend are expected to be paid on or about 19 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 August 2008 to 22 August 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and final special dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 15 August 2008.

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the Group recorded a satisfactory growth in its turnover by 8% to HK$1,044 million (2007: HK$966 million). Despite the continuous challenging and unpredictable macro-economic environment and severe cost pressure, the Group has been able to maintain a stable level of overall profitability by implementing various effective measures in enhancing its operating efficiency. For the year ended 31 March 2008, the net profit of the Group increased by 12% to HK$141 million (2007: HK$126 million). Basic earnings per share increased by 12% to HK54 cents (2007: HK48 cents).

During the year ended 31 March 2008, the demand for the Group's products remained strong for both of its original design manufacturing (ODM) business as well as its branded eyewear distribution business. The branded eyewear distribution business grew at a relatively rapid pace whereas the ODM business continued to grow steadily and contributed to a major part of the Group's turnover during the year under review. The ODM business and the branded eyewear distribution business accounted for 86% and 14% of the Group's turnover respectively (2007: 88% and 12%).

The difficult operating environment for manufacturing companies in China persisted during the year under review. Inevitably, the Group's profitability was adversely affected by increasing raw material costs, energy prices and appreciation of Renminbi. In addition, due to the tight labour supply and implementation of the new labour laws in China, labour costs have increased substantially. However, due to the pro-active improvement measures undertaken by the Group in enhancing its operational efficiency and achieving cost savings, the gross profit margin percentage for the year under review remained stable at approximately 29% (2007: 29%).

THE ODM BUSINESS

During the year under review, the Group recorded a steady growth in its ODM turnover by 6% to HK$898 million (2007: HK$848 million). With the help of advanced manufacturing technologies and our strong design team, the Group was able to design, develop and produce unique, stylish and high-quality eyewear products that exceed customers' expectations. Sales of metal frames, plastic frames and other spare parts accounted for 64%, 35% and 1% respectively of the Group's ODM turnover during the year under review (2007: 66%, 32% and 2%).

The Group's ODM turnover to Europe was relatively stable while sales to the United States increased satisfactorily by 28% during the year under review. Due to its premium product quality, improved strength in product development and order fulfillment capability, the Group was able to acquire more orders from its ODM customers and this trend was particularly evident for the Group's United States customers. Europe and the United States remained as the major markets of the Group's products and accounted for 57% and 42% (2007: 63% and 35%) of the Group's turnover of its ODM business respectively.

The Branded Eyewear Distribution Business

Turnover contributed by the Group's branded eyewear distribution business achieved a double-digit growth of 24% to HK$146 million (2007: HK$118 million). This encouraging performance is attributed to the increasing popularity of eyewear collections for both of our existing licensed brands and the in-house fashion brand "PUBLIC+", as well as the successful launch of our newly licensed brand, Dockers, during the year under review. Our creative and experienced designers and dedicated brand management team have developed specific product range and marketing strategies to strengthen the brand positioning in different markets. Asia continued to be the major market of the Group's branded eyewear distribution business and accounted for 67% of the Group's distribution turnover (2007: 59%).

LIQUIDITY AND CAPITAL RESOURCES

During the year under review, the Group continued to benefit from the strong cash inflow from operations as a result of the increase in operating profit as well as better working capital management. Net operating cash inflow amounted to HK$180 million during the year under review. As at 31 March 2008, net current assets and current ratio of the Group were approximately HK$467 million and 3.5:1 respectively. As at 31 March 2008, the Group had time deposits as well as bank and cash balance amounting to HK$234 million and did not have any bank borrowings. The total shareholders' equity of the Group increased to HK$742 million as at 31 March 2008 from HK$648 million at 31 March 2007. During the year under review, inventory turnover period and debtor turnover period were 85 days and 87 days respectively, which have been steadily improved as compared to the preceding year. The Directors are confident that the financial position of the Group will remain strong, and the Group has sufficient liquidity and financial resources to meet its present commitments and future expansion plans.

Backed by the Group's strong cash position, once again the Directors have resolved to declare a final special dividend of HK3.0 cents per share on the top of the final dividend of HK10.0 cents per share for the year ended 31 March 2008. The Directors will continue to monitor the dividend policy closely to ensure that an optimal balance can be achieved between the reinvestment in the Group and distribution of earnings to the shareholders respectively.

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. The exchange rates between these currencies were relatively stable during the year under review, save in respect of the gradual appreciation of Renminbi against the U.S. dollars and Hong Kong dollars. No hedging for foreign exchange was used given that the Group's exposure to currency fluctuation was still relatively limited.

HUMAN RESOURCES

The Group had a workforce of approximately 10,000 people as at 31 March 2008. The Group remunerates its employees based on their performance, work experience and the prevailing market situation. Performance related bonuses are granted on a discretionary basis based on individual performance and overall operating results of the Group. Other employee benefits include medical insurance scheme, mandatory provident fund scheme, subsidised or free training programs and participation in the Company's share option scheme.

PROSPECTS

Given the Group's leading position in the industry, excellent product development and order fulfillment capability, the Directors are confident of the long-term prospects of the Group's ODM business.

However, currently there are strong indications that economic activities in Europe and the U.S. are slowing down, with particular concern and uncertainty as to the extent to which the crisis in the U.S. housing and financial sectors will adversely affect consumer sentiment in the U.S. and the global economy. Moreover, the challenges arising from heightening production costs are expected to continue in the near future as a result of soaring wage levels, fuel and raw material prices. To alleviate these negative impacts in a pro-active manner, the Group is undertaking various marketing, productivity and operating efficiency enhancement projects by putting forward strategies such as reasonable selling price adjustments, refining product mix to more focus on high-end/value added products for better profit margins, tighter cost controls and continuous streamlining of product development and manufacturing processes. To cope with the ever-changing market demand and higher expectation from the customers, the Group will continue to invest to upgrade its production and product development facilities in order to enhance its production flexibility. The Directors are closely monitoring the situation and will adjust its development strategies swiftly in response to the increased uncertainty if necessary. Any production capacity expansion will be executed in a cautious and prudent manner.

The Directors are cautiously optimistic about the performance of the branded eyewear distribution business. The Group is actively seeking opportunities to expand the geographical coverage of the eyewear collections under its brand portfolio, in particular, to emerging economies which are growing relatively robustly as compared to developed economies in Europe and the U.S.. Different distribution strategies and cooperation arrangement are being studied to increase the market penetration of the Group's branded products in each major market. The Group is working closely with distribution partners to roll out effective and cost efficient marketing campaigns, as well as to explore new information technology platform to enhance efficiency in terms of order fulfillment and customer relationship management.

Letter to Shareholders

(continued)

In the meantime, the Group will strive to optimize its brand portfolio by way of acquiring more prominent brands. The Group will also cooperate more closely with its licensing and eyewear distribution partners to develop unique and high-quality products and dedicating more resources on selected brands with prominent growth potential.

AUDIT COMMITTEE

An audit committee has been established by the Company to act in an advisory capacity and to make recommendations to the board (the "Board") of Directors. The 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. The Audit Committee has adopted the principles set out in the Code on Corporate Governance Practices. The duties of the Audit Committee include review of the interim and annual reports of the Company as well as various auditing, financial reporting and internal control matters with the management and/or external auditor of the Company. The Group's consolidated financial statements for the year ended 31 March 2008 have been reviewed by the Audit Committee and audited by the Company's external auditor Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

A remuneration committee was established in September 2005 and currently comprises Mr. Lee Kwong Yiu (Chairman), Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy, all of whom are independent non-executive Directors, as well as the human resources manager of the Group. The duties of the remuneration committee include the determination of remuneration of executive Directors and review of the remuneration policy of the Group.

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

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

APPRECIATION

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

Ku Ngai Yung, Otis
Chairman

Ku Ka Yung
Deputy Chairman

Hong Kong, 11 July 2008

Directors, Senior Management and Staff

EXECUTIVE DIRECTORS

Mr. Ku Ngai Yung, Otis, aged 41, is the chairman and managing Director of the Group. He holds a bachelor of arts degree majoring in administrative and commercial studies from the University of Western Ontario, Canada. He joined the Group in June 1988. He is responsible for the Group's overall corporate policy making, strategic planning and business development. He is the son of Mr. Ku Yiu Tung and the brother of Mr. Ku Ka Yung and Ms Ku Ling Wah, Phyllis.

Mr. Ku Ka Yung, aged 35, is the deputy chairman and chief financial officer of the Group and is responsible for the Group's accounting and financial management. He holds a bachelor of commerce degree from the University of Toronto, Canada and a master of business administration degree from McGill University, Montreal, Canada. He is a certified public accountant in the US. He joined the Group in August 1996. He is the brother of Mr. Ku Ngai Yung, Otis and Ms Ku Ling Wah, Phyllis and the son of Mr. Ku Yiu Tung.

Mr. Tsang Wing Leung, Jimson, aged 40, is the executive Director responsible for the Group's product development and purchasing activities. He joined the Group in February 1989.

Ms Ku Ling Wah, Phyllis, aged 43, is the executive Director responsible for the general administration including accounting, human resources management and treasury functions of the Group in Hong Kong. She joined the Group in January 1988. She is the sister of Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung, and the daughter of Mr. Ku Yiu Tung.

Mr. Chan Chi Sun, aged 42, is the executive Director responsible for the general administration of the Group. He holds a bachelor degree from the University of Western Ontario, Canada. He joined the Group in June 1994. He is responsible for the overall administration of the Group and has extensive experience in information technology.

Ms Ma Sau Ching, aged 46, is the executive Director responsible for the marketing development of the Group. She holds a master of business administration degree in strategic marketing from the University of Hull, United Kingdom, and a diploma in management studies from the Hong Kong Polytechnic University. She joined the Group in December 1997.

NON-EXECUTIVE DIRECTOR

Mr. Ku Yiu Tung, aged 74, is the founder of the Group and has more than 40 years of experience in the optical industry. Mr. Ku Yiu Tung is the father of Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung and Ms Ku Ling Wah, Phyllis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Wa Kei, Roy, aged 37, has over fifteen years of experience in accounting and finance. He is a practicing certified public accountant in Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Securities Institute. Mr. Lo was appointed as an independent non-executive Director on 1 May 1999. Mr. Lo is also an independent non-executive director of Sun Man Tai Holdings Company Limited and Gay Giano International Group Limited, all of them are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Mr. Lee Kwong Yiu, aged 45, has over ten years of experience in Hong Kong law as a qualified solicitor. He is now the principal of Messrs. Philip K. Y. Lee & Co. Solicitors. He is also the Associate Member of the Chartered Institute of Arbitrators. Mr. Lee has been appointed as an independent non-executive Director since 1 May 2001. Mr. Lee is also an independent non-executive director of Vital Pharmaceutical Holdings Limited, a company listed on the Stock Exchange. He is a China-Appointed Attesting Officer since 20 April 2006.

Mr. Wong Che Man, Eddy, aged 48, has over twenty years of experience in the auditing and accounting profession. He is the sole proprietor of Eddy Wong & Co., Certified Public Accountants, and is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wong was appointed as an independent non-executive Director on 21 September 2004. Mr. Wong is also an independent non-executive director of Smart Rich Energy Finance (Holdings) Limited which is listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Tong Dicken, aged 31, is the financial controller of the Group and is responsible for overseeing the Group's accounting and finance function. He holds a bachelor of Business Administration (Professional Accountancy) degree in the Chinese University of Hong Kong. He is a member of the Association of Chartered Certified Accountants. Prior to joining the Group in 2007, he was in the auditing and accounting profession in certain certified public accountant firms and listed companies.

Ms Cheunk Siu Ling, aged 42, is the accounting manager of the Group and is responsible for the Group's accounting and finance function. She is a member of the Association of Chartered Certified Accountants and holds a bachelor of business administration degree from Thames Valley University, London, and holds a higher certificate in accountancy from the Hong Kong Polytechnic University. She joined the Group in 1995.

Mr. Wong Lap Ping, aged 41, is the product development manager of the Group. He is responsible for day-to-day product development management. He joined the Group in 1991.

Mr. Leung Cheuk Pong, aged 39, is the operation manager of the Group and is responsible for the Group's purchasing and logistics activities. He holds a bachelor of commerce degree from Deakin University, Australia. He joined the Group in 1996.

Corporate Governance Report

The Company is committed to maintain a high standard of corporate governance with a view to enhancing the management of the Company as well as to preserve the interests of the shareholders as a whole. The Board has adopted the code provisions set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), which came into effect on 1 January 2005. During the year ended 31 March 2008, the Company has complied with all applicable code provisions in the CG Code except for the deviation from Code A.2.1 of the CG Code as described below in the "Chairman and Chief Executive Officer" section.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard under the Model Code. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2008.

BOARD OF DIRECTORS

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

The Board conducted four Board meetings, all of such meetings were regular Board meetings in compliance with Code A1.1 of the CG Code, during the year ended 31 March 2008. 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
Ms. Ku Ling Wah, Phyllis	4/4
Mr. Chan Chi Sun	4/4
Ms. Ma Sau Ching	3/4
Mr. Ku Yiu Tung	4/4
Mr. Lo Wa Kei, Roy	4/4
Mr. Lee Kwong Yiu	4/4
Mr. Wong Che Man, Eddy	4/4

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Company does not officially have a position of Chief Executive Officer. However, Mr. Ku Ngai Yung, Otis has been assuming the roles of both the Chairman and Chief Executive Officer of the Company. In this regard, the Company has deviated from Code A.2.1 of the CG Code. The Board intends to maintain this structure in the future as it believes that it would provide the Group with strong and consistent leadership and allow the Group's business operations, planning and decision making as well as execution of long-term business strategies to be carried out more effectively and efficiently. Nonetheless, the Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Mr. Tsang Wing Leung, Jimson, Ms. Ku Ling Wah, Phyllis, Mr. Chan Chi Sun and Ms. Ma Sau Ching, all of them are executive Directors were re-elected as Directors at the 2007 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, an executive Director, Mr. Ku Yiu Tung, a non-executive Director, and Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy, both of them are independent non-executive Directors will retire at the forthcoming 2008 annual general meeting and will offer themselves for re-election. Their proposed term of office shall not be more than three years and is subject to retirement by rotation in accordance with the Bye-laws.

REMUNERATION COMMITTEE

A remuneration committee was established by the Company in September 2005 and currently comprises Mr. Lee Kwong Yiu (Chairman), Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy, all of whom are independent non-executive Directors of the Company, as well as the human resources manager of the Company. The duties of the remuneration committee include, inter alia, the determination of remuneration of executive Directors and senior management and review of the remuneration policy of the Group.

The remuneration committee held two meetings during the year ended 31 March 2008. The attendance of each remuneration committee member is set out as follows:

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

During the year ended 31 March 2008, the remuneration committee has reviewed and determined the remuneration of the Directors and the overall remuneration policy of the Group.

AUDIT COMMITTEE

An audit committee has been established by the Company to act in an advisory capacity and to make recommendations to the Board. The members of the audit committee comprise the three independent non-executive Directors, who are Mr. Lo Wa Kei, Roy (Chairman), Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy. Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy are both qualified certified public accountants and possess the qualifications as required under rule 3.21 of the Listing Rules. None of the members of the audit committee is a member of the former or existing auditors of the Company. The audit committee has adopted the principles set out in the CG Code. The duties of the audit committee include review of the interim and annual reports of the Company as well as various auditing, financial reporting and internal control matters with the management and/or external auditor of the Company. During the year ended 31 March 2008, 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 Company.

During the year ended 31 March 2008, the audit committee held two 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

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$1,050,000
Non-audit services	
Interim results review	HK$200,000
Tax compliance and advisory services	HK$130,000
Internal control review	HK$110,000

ACCOUNTABILITY AND INTERNAL CONTROL

The Directors acknowledge their responsibility to prepare financial statements for the financial year ended 31 March 2008 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 2008, 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 23.

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

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

During the year ended 31 March 2008, the Board has assessed the effectiveness of the Group's internal control system through (i) conducting regular management meetings to discuss and handle internal control issues; (ii) reviewing the findings made by the auditor in respect of issues encountered during the processes of annual audit and interim review; and (iii) engaging a specialized division of Deloitte Touche Tohmatsu to assess the internal controls in respect of certain key business operations of the Group. Based on the results of the assessment, the Board is satisfied with the effectiveness of the internal control system of the Group. Appropriate actions are being taken to address the areas for improvement identified.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2008.

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 2008 are set out in the consolidated income statement on page 24.

An interim dividend of HK4.5 cents per share of the Company amounting to approximately HK$11,825,000 and an interim special dividend of HK2.8 cents per share amounting to approximately HK$7,358,000 were paid to the shareholders of the Company during the year. The Directors now recommend a final dividend of HK10.0 cents per share amounting to approximately HK$26,278,000 and a final special dividend of HK3.0 cents per share amounting to approximately HK$7,883,000 to the shareholders of the Company whose names appear on the register of members at the close of business on 22 August 2008.

PROPERTY, PLANT AND EQUIPMENT

Certain of the Group's leasehold land and buildings were revalued at 31 March 2008. The revaluation resulted in a total surplus over their carrying amounts of approximately HK$4,292,000, out of which HK$192,000 has been credited to the consolidated income statement, and HK$4,100,000 has been credited to the property revaluation reserve in the equity.

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$62,569,000 to increase production capacity. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 61% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 26% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 26% of the Group's total purchases.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors, 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 2008, the Company's reserves available for distribution consisted of special reserve of HK$Nil (2007: HK$2,430,000) and retained profits of HK$31,890,000 (2007: HK$17,900,000).

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

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

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

DIRECTORS

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

Executive Directors:

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

Non-executive Director:

Ku Yiu Tung

Independent non-executive Directors:

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2008, the interests and short positions of the Directors and chief executives of the Company, and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

1. Shares in the Company (Long Position)

	Number of ordinary shares held			
Name of Directors	**Personal interest**	**Other interest**	**Total**	**Percentage of issued share capital of the Company**
Ku Ngai Yung, Otis	3,737,223	137,359,382 *(Note)*	141,096,605	53.69%
Ku Ka Yung	3,737,223	137,359,382 *(Note)*	141,096,605	53.69%
Ku Ling Wah, Phyllis	–	137,359,382 *(Note)*	137,359,382	52.27%
Tsang Wing Leung, Jimson	1,570,000	–	1,570,000	0.60%
Chan Chi Sun	1,526,000	–	1,526,000	0.58%
Ma Sau Ching	700,000	–	700,000	0.27%

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

Report of the Directors

(continued)

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(CONTINUED)*

2. Underlying shares in the Company (Share Options)

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

Save as disclosed above, as at 31 March 2008, none of the Directors or 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 for Securities Transactions by Directors of Listed Issuers.

SHARE OPTIONS

Pursuant to a resolution passed on 6 September 2004, the Company's share option scheme adopted on 4 May 1999 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted in order to comply with the amendments to Chapter 17 of the Listing Rules in relation to share option schemes. Particulars of the New Share Option Scheme are set out in note 23 to the consolidated financial statements.

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

			Number of share options				
Grantees	**Date of grant**	**Exercise period**	**Outstanding as at 1 April 2007**	**Exercised during the year**	**Forfeited during the year**	**Outstanding as at 31 March 2008**	**Exercise price** *HK$*
Employees	2 April 2004	2 April 2004 to 1 April 2009 *(Notes 1 & 2)*	1,200,000	–	(100,000)	1,100,000	3.5
			1,200,000	–	(100,000)	1,100,000	

Notes:

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

At the date of this report, the number of shares in respect of which options had been granted and remained outstanding under the Old Share Option Scheme was 1,100,000, representing approximately 0.42% of the issued shares of the Company. No further share options can be granted upon termination of the Old Share Option Scheme.

Under the New Share Option Scheme, the maximum number of shares available for issue is 10% of the issued share capital of the Company. No share options have been granted, exercised, cancelled or lapsed under the New Share Option Scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, the following parties (other than those disclosed under the headings "Directors' Interests in Shares, Underlying Shares and Debentures" and "Share Options" above) were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of substantial shareholders	Number of ordinary shares held	Percentage of the issued share capital of the Company
United Vision International Limited *(Note 1)*	137,359,382	52.27%
Marshvale Investments Limited *(Note 1)*	137,359,382	52.27%
HSBC International Trustee Limited *(Notes 1 & 2)*	138,177,382	52.58%
Cheah Cheng Hye *(Notes 3 & 4)*	20,332,000	7.73%
Hang Seng Bank Trustee International Limited *(Notes 3 & 4)*	20,332,000	7.73%
Cheah Company Limited *(Note 3)*	20,332,000	7.73%
Cheah Capital Management Limited *(Note 3)*	20,332,000	7.73%
Value Partners Group Limited *(Note 3)*	20,332,000	7.73%
Value Partners Limited *(Note 3)*	20,332,000	7.73%
To Hau Yin *(Note 5)*	20,332,000	7.73%
Deutsche Bank Aktiengesellschaft *(Note 6)*	15,778,000	6.00%
OCM Emerging Markets Fund, L.P. *(Note 7)*	18,824,000	7.16%
Oaktree Capital Management, LLC *(Note 7)*	18,824,000	7.16%
Allard Partners Limited *(Note 8)*	16,252,000	6.18%
David Michael Webb *(Note 9)*	13,152,000	5.00%

Notes:

1. *As at 31 March 2008, 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 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 under the SFO.*
2. *HSBC Trustee is the trustee of The Vision Trust, the discretionary trust settled by Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung mentioned above. Of the 138,177,382 shares held by HSBC Trustee, 137,359,382 shares were held indirectly through UVI as mentioned in note (1) above and 818,000 shares were held as trustee.*
3. *As at 31 March 2008, 20,332,000 shares were held by Value Partners Limited, which is wholly-owned by Value Partners Group Limited. By virtue of Value Partners Limited's interests in the Company, Value Partners Group Limited is deemed to be interested in 20,332,000 shares under the SFO. Value Partners Group Limited is owned as to 35.65% by Cheah Capital Management Limited. By virtue of Value Partners Group Limited's indirect interest in the Company, Cheah Capital Management Limited is deemed to be interested in 20,332,000 shares under the SFO. Cheah Capital Management Limited is wholly-owned by Cheah Company Limited. By virtue of Cheah Capital Management Limited's indirect interest in the Company, Cheah Company Limited is deemed to be interested in 20,332,000 shares under the SFO. Cheah Company Limited is wholly-owned by Hang Seng Bank Trustee International Limited. By virtue of Cheah Company Limited's indirect interest in the Company, Hang Seng Bank Trustee International Limited is deemed to be interested in 20,332,000 shares under the SFO.*
4. *Hang Seng Bank Trustee International Limited is the trustee of The C H Cheah Family Trust, whose founder is Cheah Cheng Hye.*
5. *To Hau Yin is the spouse of Cheah Cheng Hye. By virtue of the SFO, To Hau Yin is deemed to be interested in the indirect interest in the Company held by Cheah Cheng Hye.*
6. *As at 31 March 2008, 15,778,000 shares were held by Deutsche Bank Aktiengesellschaft as security interest.*
7. *As at the date of filing the substantial shareholder notice on 3 February 2006, Oaktree Capital Management, LLC owns 2% of the issued share capital of OCM Emerging Markets Fund, L.P.. Oaktree Capital Management, LLC was therefore deemed to be interested, to that extent, in the shares held by OCM Emerging Markets Fund, L.P. under the SFO.*
8. *Allard Partners Limited is a fund management company.*
9. *As at 31 March 2008, of the 13,152,000 shares held by David Michael Webb, 11,292,000 shares were held through his wholly owned company, Preferable Situation Assets Limited, while 1,860,000 shares were held directly by him. By virtue of Preferable Situation Assets Limited's interests in the Company, David Michael Webb is deemed to be interested in 11,292,000 shares under the SFO.*

Report of the Directors

(continued)

SUBSTANTIAL SHAREHOLDERS *(CONTINUED)*

All the interests stated above represent long position. Save as disclosed above, as at 31 March 2008, 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, on the basis of their merit, qualifications and competence.

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

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the 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 2008.

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

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

CORPORATE GOVERNANCE

The corporate governance report is set out on pages 16 to 17.

AUDITOR

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

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

During the year ended 31 March 2007, BDO McCabe Lo Limited, Certified Public Accountants resigned as the auditor of the Company, and Deloitte Touche Tohmatsu was appointed as the auditor of the Company. During the year ended 31 March 2008, Deloitte Touche Tohmatsu was re-appointed as the auditor of the Company. Save as disclosed herein, there have been no other changes of auditor in the past three years. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint the auditor, Deloitte Touche Tohmatsu.

On behalf of the Board
Ku Ngai Yung, Otis
Chairman

Hong Kong, 11 July 2008

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Sun Hing Vision Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 57, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the 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 as to whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

11 July 2008

Consolidated income statement for the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	*7*	**1,044,024**	965,990
Cost of sales		**(738,080)**	(687,175)
Gross profit		**305,944**	278,815
Other income, gains and losses	*8*	**(288)**	(1,350)
Selling and distribution costs		**(24,092)**	(17,513)
Administrative expenses		**(125,477)**	(122,860)
Surplus on revaluation of leasehold land and buildings		**192**	1,336
Profit before taxation		**156,279**	138,428
Taxation	*9*	**(14,858)**	(12,526)
Profit for the year	*10*	**141,421**	125,902
Dividends	*13*	**50,716**	37,577
Earnings per share	*14*		
Basic		**HK54 cents**	HK48 cents
Diluted		**N/A**	HK48 cents

Consolidated balance sheet at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**266,642**	243,963
Prepaid lease payments	*16*	**3,955**	4,047
Time deposit	*17*	**11,700**	11,700
		282,297	259,710
CURRENT ASSETS			
Inventories	*18*	**172,552**	167,595
Trade and other receivables	*19*	**258,341**	237,548
Prepaid lease payments	*16*	**91**	91
Time deposit	*17*	**–**	15,600
Bank balances and cash	*20*	**222,166**	131,966
		653,150	552,800
CURRENT LIABILITIES			
Trade and other payables	*21*	**185,089**	151,102
Taxation payable		**1,308**	6,707
		186,397	157,809
NET CURRENT ASSETS		**466,753**	394,991
		749,050	654,701
CAPITAL AND RESERVES			
Share capital	*22*	**26,278**	26,278
Reserves		**715,809**	621,722
		742,087	648,000
NON-CURRENT LIABILITY			
Deferred taxation	*24*	**6,963**	6,701
		749,050	654,701

The consolidated financial statements on pages 24 to 57 were approved and authorised for issue by the Board of Directors on 11 July 2008 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 2008

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Property revaluation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2006	26,248	78,699	18,644	–	447	433,826	557,864
Surplus on revaluation of leasehold land and buildings	–	–	–	1,600	–	–	1,600
Deferred tax liability arising on revaluation of leasehold land and buildings	–	–	–	(280)	–	–	(280)
Net income recognised directly in equity	–	–	–	1,320	–	–	1,320
Profit for the year	–	–	–	–	–	125,902	125,902
Total recognised income for the year	–	–	–	1,320	–	125,902	127,222
Issue of shares upon exercise of share options	30	246	–	–	–	–	276
Recognition of equity-settled share based payments	–	–	–	–	215	–	215
Dividends recognised as distribution	–	–	–	–	–	(37,577)	(37,577)
At 31 March 2007	26,278	78,945	18,644	1,320	662	522,151	648,000
Surplus on revaluation of leasehold land and buildings	–	–	–	4,100	–	–	4,100
Deferred tax liability arising on revaluation of leasehold land and buildings	–	–	–	(718)	–	–	(718)
Net income recognised directly in equity	–	–	–	3,382	–	–	3,382
Profit for the year	–	–	–	–	–	141,421	141,421
Total recognised income for the year	–	–	–	3,382	–	141,421	144,803
Release upon lapse of vested option	–	–	–	–	(126)	126	–
Dividends recognised as distribution	–	–	–	–	–	(50,716)	(50,716)
At 31 March 2008	26,278	78,945	18,644	4,702	536	612,982	742,087

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

Consolidated cash flow statement

for the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**156,279**	138,428
Adjustments for:		
Bad debts written off	**4,969**	13,738
Bank interest income	**(7,635)**	(3,245)
Surplus on revaluation of leasehold land and buildings	**(192)**	(1,336)
Gain on disposal of property, plant and equipment	**–**	(70)
Depreciation of property, plant and equipment	**44,182**	40,211
Release of prepaid lease payments	**92**	91
Share-based payment expenses	**–**	215
Bad debts recovered	**(2,212)**	–
Operating cash flows before movements in working capital	**195,483**	188,032
(Increase) decrease in inventories	**(4,957)**	9,778
Increase in trade and other receivables	**(23,550)**	(60,340)
Increase (decrease) in trade and other payables	**33,987**	(1,040)
Cash generated from operations	**200,963**	136,430
Income taxes paid	**(20,713)**	(10,779)
NET CASH FROM OPERATING ACTIVITIES	**180,250**	125,651
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(62,569)**	(63,926)
Interest received	**7,635**	3,245
Proceeds from disposals of property, plant and equipment	**–**	70
Decrease in time deposit	**15,600**	–
NET CASH USED IN INVESTING ACTIVITIES	**(39,334)**	(60,611)
FINANCING ACTIVITIES		
Dividends paid	**(50,716)**	(37,577)
Proceeds from issue of shares upon the exercise of share options	**–**	276
NET CASH USED IN FINANCING ACTIVITIES	**(50,716)**	(37,301)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**90,200**	27,739
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**131,966**	104,227
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**222,166**	131,966

Notes to the consolidated financial statements

For the year ended 31 March 2008

1. GENERAL

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-INT 12	Service Concession Arrangements[3]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[4]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 July 2009*
[3] *Effective for annual periods beginning on or after 1 January 2008*
[4] *Effective for annual periods beginning on or after 1 July 2008*

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(CONTINUED)*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

Revenue recognition

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

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment

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

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

Other property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

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

The Group as lessee

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in consolidated income statement in the period in which they arise.

Retirement benefit costs

Payments to defined contribution retirement benefit scheme and state-managed retirement benefit scheme are charged as expenses when employees have rendered services entitling them to the contributions.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment losses

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated income statement.

Financial assets

The Group's financial assets are classified as loans and receivables.

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 on points 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.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

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 each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or 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, 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 average credit period of 30 days to 90 days, observable changes in national or local economic conditions that correlate with default on trade receivables.

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

The carrying amount of the loans and receivables is reduced by the impairment loss directly. When trade receivables are considered uncollectible, it is written off in profit or loss. 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

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Equity-settled share-based payment transactions

Share options granted to employees

Share options granted before 7 November 2002

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

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

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

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

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

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 judgements, 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 is the key assumption concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) 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 2008, the carrying amount of trade receivables is HK$248,790,000 (net of impairment loss in respect of trade receivables) (2007: HK$232,571,000).

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 consolidated income statement as write down of inventories.

Included in cost of sales is an amount of approximately HK$6,962,000 (2007: HK$56,027,000) in respect of a write-down of raw materials, work in progress and finished goods to their estimated net realisable values.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. During the year ended 31 March 2008 and 2007, the Group has been generating operating profit to sustain its operation and development, as such, the Group has not raised external debt. The Group's overall strategy remains unchanged from prior year.

Accordingly, the capital structure of the Group only consists of equity attributable to equity holders of the Company, comprising issued share capital and various reserves during the year ended 31 March 2008 and 2007.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to it in light of the changes in the Group's business and economic conditions.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2008 **HK$'000**	2007 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**486,433**	393,477
Financial liabilities		
Amortised cost	**119,979**	109,985

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

6b. Financial risk management objectives and polices

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

Market risk

(i) Currency risk

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

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

	Liabilities		**Assets**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
USD	**21,591**	20,019	**441,649**	357,795
RMB	**36,907**	30,601	**5,565**	1,605
EUR	**7,512**	8,293	**1,315**	314
CHF	**–**	–	**50**	40
JPY	**5,610**	6,702	**1,297**	1,416

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

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding relevant foreign currencies other than USD denominated monetary items. The directors consider that the Group's exposure to USD is insignificant as 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 profit for the year where HK$ strengthen 5% against the relevant foreign currencies. For a 5% weakening of HK$ against the relevant foreign currency, there would be an equal and opposite impact on the profit for the year.

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

6b. Financial risk management objectives and polices *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis *(continued)*

	2008 HK$'000	2007 HK$'000
RMB impact	**1,567**	1,450
EUR impact	**310**	399
CHF impact	**(3)**	(2)
JPY impact	**216**	264

(ii) Interest rate risk

The Group is exposed to cash flow and fair value interest rate risk in relation to variable-rate bank balances and time deposits as set out in notes 20 and 17 respectively.

The Group's exposures to interest rates on financial assets are detailed in the liquidity risk management section of this note. The Group cash flow and fair value interest rate risk are mainly concentrated on the fluctuation of the London Interbank Offer Rate ("LIBOR") arising from the Group's time deposits.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank balances and time deposits as disclosed in notes 20 and 17 respectively. The analysis is prepared assuming the amount of monetary assets outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would increase/decrease by HK$844,000 (2007: HK$504,000). This is mainly attributable to the Group's exposure to interest rates on its bank balances and time deposits.

Credit risk

As at 31 March 2008, 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 arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade and other receivables and bank balances.

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

The Group has concentration of credit risks with exposure limited to certain counterparties and customers. As at 31 March 2008, five customers accounted for approximately 59% (31 March 2007: 54%) 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.

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

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

6b. Financial risk management objectives and polices *(continued)*

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 table includes principal cash flows.

Liquidity table

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 years HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2008 HK$'000
2008							
Non-derivative financial instruments							
Trade and other payables	–	65,831	45,443	8,705	–	119,979	119,979
		65,831	45,443	8,705	–	119,979	119,979

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 years HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2007 HK$'000
2007							
Non-derivative financial instruments							
Trade and other payables	–	52,732	51,704	5,549	–	109,985	109,985
		52,732	51,704	5,549	–	109,985	109,985

6c. Fair value

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at balance sheet date.

7. SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold to outside customers during the year.

(a) Business segments

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

(b) Geographical segments

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

The analysis of segment information of the Group by geographical location of customers is presented as below:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2008

	Europe HK$'000	United States HK$'000	Asia HK$'000	Other regions HK$'000	Consolidated HK$'000
REVENUE	**515,782**	**395,959**	**106,865**	**25,418**	**1,044,024**
RESULT					
Segment result	**99,993**	**83,670**	**9,908**	**2,826**	**196,397**
Bank interest income					**7,635**
Other income					**3,182**
Surplus on revaluation of leasehold land and buildings					**192**
Unallocated corporate expenses					**(51,127)**
Profit before taxation					**156,279**
Taxation					**(14,858)**
Profit for the year					**141,421**

CONSOLIDATED BALANCE SHEET
As at 31 March 2008

	Europe HK$'000	United States HK$'000	Asia HK$'000	Other regions HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	**126,605**	**84,987**	**32,658**	**4,540**	**248,790**
Unallocated corporate assets					**686,657**
Consolidated total assets					**935,447**
LIABILITIES					
Unallocated corporate liabilities					**193,360**

7. SEGMENT INFORMATION *(CONTINUED)*

(b) Geographical segments *(continued)*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

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

Approximately 90% of the segment information for the European segment of the Group is contributed by Italy in both years.

7. SEGMENT INFORMATION *(CONTINUED)*

(b) Geographical segments *(continued)*

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

	Carrying amounts of segment assets		**Additions to property, plant and equipment**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**291,694**	264,671	**1,554**	11,800
The PRC	**409,887**	388,573	**61,015**	52,126
	701,581	653,244	**62,569**	63,926

8. OTHER INCOME, GAINS AND LOSSES

	2008	2007
	HK$'000	HK$'000
Bank interest income	**7,635**	3,245
Bad debts recovered	**2,212**	–
Net foreign exchange losses	**(11,105)**	(6,043)
Others	**970**	1,448
	(288)	(1,350)

9. TAXATION

	2008 HK$'000	2007 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
– Current year	**15,093**	14,658
– Overprovision in respect of prior year	**(85)**	–
PRC Enterprise Income Tax		
– Current year	**306**	21
	15,314	14,679
Deferred taxation *(note 24)*	**(456)**	(2,153)
	14,858	12,526

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit for the year.

PRC Enterprise Income Tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued implementation Regulations of the New Law. The New Law and Implementation regulations have changed the tax rate from 27% to 25% for a subsidiary from 1 January 2008.

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

	2008 HK$'000	2007 HK$'000
Profit before taxation	**156,279**	138,428
Tax at the Hong Kong Profits Tax rate of 17.5%	**27,349**	24,225
Tax effect of income not assessable in determining taxable profit	**(1,216)**	(631)
Tax effect of expenses not deductible in determining taxable profit	**227**	1,865
Overprovision in respect of prior years	**(85)**	–
Tax effect of Hong Kong Profits Tax on 50: 50 apportionment basis	**(12,628)**	(14,216)
Tax effect of tax losses not recognised	**1,103**	1,288
Tax effect of utilisation of tax losses previously not recognised	**–**	(20)
Effect of different tax rates of operation in other jurisdictions	**108**	15
Taxation charge for the year	**14,858**	12,526

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

10. PROFIT FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	1,250	1,122
Bad debts written off	4,969	13,738
Cost of inventories recognised as expense	738,080	687,175
Depreciation of property, plant and equipment	44,182	40,211
Release of prepaid lease payments	92	91
Staff cost		
– directors' emoluments *(note 11)*	5,758	4,704
– other staff costs	236,432	176,678
– share-based payment expenses	–	215
– retirement benefit scheme contribution excluding those of directors' and net of forfeited contribution of HK$Nil (2007: HK$26,000)	5,188	3,390
	247,378	184,987

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the ten (2007: ten) directors were as follows:

	Year ended 31 March 2008			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive directors				
Ku Ngai Yung, Otis	341	528	6	875
Ku Ka Yung	331	504	6	841
Ku Ling Wah, Phyllis	176	372	20	568
Tsang Wing Leung, Jimson	494	294	30	818
Chan Chi Sun	680	294	31	1,005
Ma Sau Ching	718	342	33	1,093
	2,740	2,334	126	5,200
Non-executive director				
Ku Yiu Tung	198	–	–	198
Independent non-executive directors				
Lo Wa Kei, Roy	120	–	–	120
Lee Kwong Yiu	120	–	–	120
Wong Che Man, Eddy	120	–	–	120
	360	–	–	360
	3,298	2,334	126	5,758

11. DIRECTORS' EMOLUMENTS *(CONTINUED)*

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

No directors waived any emoluments in both years.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group in 2008 and 2007 were all directors of the Company, whose emoluments are included in the disclosures as above.

During the years ended 31 March 2008 and 31 March 2007, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Final, paid – HK10.0 cents per share for 2007 (2007: HK8.1 cents per share for 2006)	**26,278**	21,285
Special, paid – HK2.0 cents per share for 2007 (2006: Nil)	**5,255**	–
Interim, paid – HK4.5 cents per share for 2008 (2007: HK4.2 cents per share for 2007)	**11,825**	11,036
Special, paid – HK2.8 cents per share for 2008 (2007: HK2.0 cents per share for 2007)	**7,358**	5,256
	50,716	37,577

The final dividend of HK10.0 cents (2007: HK10.0 cents) per share and a final special dividend of HK3.0 cents (2007: HK2.0 cents) per share in respect of the year ended 31 March 2008 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2008 HK$'000	2007 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**141,421**	125,902
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**262,778,286**	262,775,820
Effect of dilutive potential ordinary shares:		
– Share options	**–**	1,600
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**262,778,286**	262,777,420

No diluted earnings per share has been presented for the year ended 31 March 2008 because the exercise price of the Group's share options was higher than the average market price for shares during the year ended 31 March 2008.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong under medium–term leases HK$'000	Buildings in the PRC under medium–term leases HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION								
At 1 April 2006	6,800	81,515	41,008	195,193	63,105	5,490	6,865	399,976
Additions	–	–	1,468	17,182	6,935	534	37,807	63,926
Surplus on revaluation	2,800	–	–	–	–	–	–	2,800
Transfers	–	7,947	19,586	3,703	1,595	–	(32,831)	–
Disposals	–	–	–	–	–	(308)	–	(308)
Adjustment on valuation	–	(1,767)	–	–	–	–	–	(1,767)
At 31 March 2007	9,600	87,695	62,062	216,078	71,635	5,716	11,841	464,627
Additions	–	–	9,530	26,135	6,037	–	20,867	62,569
Surplus on revaluation	4,100	–	–	–	–	–	–	4,100
Transfers	–	–	20,939	1,215	1,582	–	(23,736)	–
Adjustment on valuation	–	(1,874)	–	–	–	–	–	(1,874)
At 31 March 2008	13,700	85,821	92,531	243,428	79,254	5,716	8,972	529,422
Comprising:								
At cost	–	–	92,531	243,428	79,254	5,716	8,972	429,901
At valuation – 2008	13,700	85,821	–	–	–	–	–	99,521
	13,700	85,821	92,531	243,428	79,254	5,716	8,972	529,422
Comprising:								
At cost	–	–	62,062	216,078	71,635	5,716	11,841	367,332
At valuation – 2007	9,600	87,695	–	–	–	–	–	97,295
	9,600	87,695	62,062	216,078	71,635	5,716	11,841	464,627
DEPRECIATION								
At 1 April 2006	–	–	26,266	110,058	43,371	2,969	–	182,664
Provided for the year	136	1,767	6,243	23,165	8,058	842	–	40,211
Eliminated on revaluation	(136)	–	–	–	–	–	–	(136)
Eliminated on disposals	–	–	–	–	–	(308)	–	(308)
Adjustment on valuation	–	(1,767)	–	–	–	–	–	(1,767)
At 31 March 2007	–	–	32,509	133,223	51,429	3,503	–	220,664
Provided for the year	192	1,874	10,147	22,787	8,525	657	–	44,182
Eliminated on revaluation	(192)	–	–	–	–	–	–	(192)
Adjustment on valuation	–	(1,874)	–	–	–	–	–	(1,874)
At 31 March 2008	–	–	42,656	156,010	59,954	4,160	–	262,780
CARRYING VALUES								
At 31 March 2008	13,700	85,821	49,875	87,418	19,300	1,556	8,972	266,642
At 31 March 2007	9,600	87,695	29,553	82,855	20,206	2,213	11,841	243,963

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:

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

The fair values of the Group's leasehold land and buildings located in Hong Kong and buildings located in the PRC at 31 March 2008 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuer not connected with the Group. BMI Appraisals Limited is a member of the Hong Kong Institute of Surveyors ("HKIS"), and has appropriate qualifications and recent experiences in valuation of similar properties in the relevant locations. The valuation of the leasehold land and buildings located in Hong Kong, which conforms to HKIS valuation standards on properties, was arrived at by reference to market evidence of recent transaction prices for similar properties. The valuation of the buildings in the PRC was arrived at depreciated replacement cost basis.

Out of the total surplus on revaluation of HK$4,292,000 (2007: HK$2,936,000), HK$192,000 (2007: HK$1,336,000) has been credited to the consolidated income statement and HK$4,100,000 (2007: HK$1,600,000) has been credited to the property revaluation reserve in equity.

If the leasehold land and buildings located in Hong Kong and PRC had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at approximately HK$92,184,000 (2007: HK$94,218,000).

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

16. PREPAID LEASE PAYMENTS

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

	2008 HK$'000	2007 HK$'000
Non-current asset	**3,955**	4,047
Current asset	**91**	91
	4,046	4,138

17. TIME DEPOSITS

The deposits are denominated in United States dollars, foreign currency of the relevant group entity, with an initial term of six years to ten years. The deposits carry interests determined by formulae with reference to the LIBOR. Included in the amount at 31 March 2007 was a deposit of HK$15,600,000 that the bank had an unconditional right to terminate the deposit at the end of each quarter during the six-year period. The Group also had the right to early terminate the deposit prior to the maturity date of 17 July 2009. The bank terminated the deposit on 10 January 2008.

	2008 HK$'000	2007 HK$'000
Analysis for reporting purposes as:		
Non-current	**11,700**	11,700
Current	**–**	15,600
	11,700	27,300

18. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	**66,100**	66,940
Work in progress	**81,405**	79,309
Finished goods	**25,047**	21,346
	172,552	167,595

19. TRADE AND OTHER RECEIVABLES

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

	2008 HK$'000	2007 HK$'000
Trade receivables		
Current	**208,576**	207,744
Overdue up to 90 days	**37,894**	24,111
Overdue more than 90 days	**2,320**	716
	248,790	232,571
Prepayments	**5,774**	3,337
Other receivables	**3,777**	1,640
Trade and other receivables	**258,341**	237,548

19. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

	2008 **HK$'000**	2007 HK$'000
RMB	**484**	329
USD	**246,950**	228,073

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

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

Included in the Group's trade debtor balance are debtors with a carrying amount of HK$40,214,000 (2006: HK$24,827,000) 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.

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 1.45% to 5.61% (2007: 4.85% to 5.40%) per annum and have maturity of three months or less.

The Company's bank balances that is denominated in currencies other than the functional currencies are set out below:

	2008 **HK$'000**	2007 HK$'000
USD	**182,999**	102,422
RMB	**5,080**	1,275
EUR	**1,315**	314
CHF	**50**	40
JPY	**1,297**	1,416

21. TRADE AND OTHER PAYABLES

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

	2008 HK$'000	2007 HK$'000
Trade payables		
Current and overdue up to 90 days	**111,729**	102,302
Overdue more than 90 days	**2,789**	1,295
	114,518	103,597
Accruals	**65,110**	41,117
Other payables	**5,461**	6,388
	185,089	151,102

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

	2008 HK$'000	2007 HK$'000
RMB	**32,847**	26,533
EUR	**7,512**	8,293
USD	**21,591**	20,019
JPY	**5,610**	6,702

Included in trade and other payables is an amount of provision of approximately HK$4,300,000 (2007: HK$4,300,000) made against a legal claim in connection with an amount received from a customer of the Group for settlement of debts at the same amount. In October 2005, the liquidating trustee of that customer, which is under a voluntary petition for bankruptcy relief under the United States Bankruptcy Code and applicable state law ("State Law"), commenced an adversary proceeding against the Group. The liquidating trustee seeks to recover from the Group an amount which is alleged to be preferential transfer under the State Law. As a result, provision for this claim was made in the consolidated financial statements for the year ended 31 March 2007 and 2008 as in the opinion of directors, payment of HK$4,300,000 is probable. As at 31 March 2008, the legal claim is under the process of negotiation and subject to justice.

22. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	Nominal amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2006, 31 March 2007 and 31 March 2008	500,000,000	50,000
Issued and fully paid:		
At 31 March 2006	262,478,286	26,248
Issue of shares upon exercise of share options at the issue price of HK$0.92 each	300,000	30
At 31 March 2007 and 31 March 2008	262,778,286	26,278

23. SHARE OPTIONS

Pursuant to a resolution passed on 6 September 2004, the Company's share option scheme adopted on 4 May 1999 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted in order to comply with the amendments to Chapter 17 of the Listing Rules in relation to share option scheme.

Old Share Option Scheme

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

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

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

23. SHARE OPTIONS *(CONTINUED)*

Old Share Option Scheme *(continued)*

The following tables disclose details of the Company's share options which were granted under the Old Share Option Scheme held by a director and employees during the years ended 31 March 2008 and 2007:

			Number of share options							
Option type	Date of grant	Exercisable period	Outstanding at 1.4.2006	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2007 and 1.4.2007	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2008	Exercise price HK$
2001 – director	14 December 2001	14 December 2001 to 13 December 2007 *(Note 1)*	300,000	(300,000)	–	–	–	–	–	0.92
2004 – employees	2 April 2004	2 April 2004 to 1 April 2009 *(Notes 2)*	1,350,000	–	(150,000)	1,200,000	–	(100,000)	1,100,000	3.50
			1,650,000	(300,000)	(150,000)	1,200,000	–	(100,000)	1,100,000	
Exercisable at the end of year			472,500			420,000			385,000	

Notes:

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

During the year ended 31 March 2008 and 31 March 2007, there were no share options granted to the Company's directors and employees under the Old Share Option Scheme. A total of 300,000 share options had been exercised by the Company's director during the year ended 31 March 2007. In respect of the share options exercised during the year ended 31 March 2007, the weighted average share price at the date of exercise is HK$2.35. In addition, 100,000 and 150,000 share options had been forfeited upon resignation of certain employees during the year ended 31 March 2008 and 31 March 2007 respectively.

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

The Group recognised the total expense of HK$Nil for the year ended 31 March 2008 (2007: HK$215,000) in relation to share options granted by the Company.

23. SHARE OPTIONS *(CONTINUED)*

New Share Option Scheme

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

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

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

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

24. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	**Revaluation of properties** HK$'000	**Total** HK$'000
At 1 April 2006	8,663	(89)	8,574
Charge to equity for the year	–	280	280
(Credit) charge to consolidated income statement for the year	(2,363)	210	(2,153)
At 31 March 2007	6,300	401	6,701
Charge to equity for the year	–	718	718
Credit to consolidated income statement for the year	(456)	–	(456)
At 31 March 2008	5,844	1,119	6,963

At 31 March 2008, the Group has unused tax losses of HK$14,222,000 (2007: HK$7,917,000) 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. Other losses may be carried forward indefinitely.

25. OPERATING LEASE COMMITMENTS

The Group made minimum lease payments of approximately HK$10,403,000 (2007: HK$8,978,000) under operating leases during the year in respect of office premises.

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

	2008 HK$'000	2007 HK$'000
Within one year	**7,723**	10,281
In the second to fifth year inclusive	**15,621**	22,450
Over five years	**605**	1,280
	23,949	34,011

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

26. CAPITAL AND OTHER COMMITMENTS

	2008 HK$'000	2007 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– Factory under construction	**165**	327
Capital expenditure authorised but not contracted for		
– Acquisition of plant and machinery	**1,115**	837
– Factory under construction	**5,421**	7,322
	6,536	8,159
Commitments for license fee for brandnames contracted for but not provided in the consolidated financial statements	**13,291**	4,798
	19,992	13,284

27. MAJOR NON-CASH TRANSACTIONS

During the year, construction in progress of approximately HK$23,736,000 (2007: HK$32,831,000) was completed and was transferred to respective categories of property, plant and equipment.

28. RETIREMENT BENEFITS SCHEME

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

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

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

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

The total cost charged to profit or loss of HK$5,314,000 (2007: HK$3,507,000) represents contributions paid and payable to these schemes by the Group in respect of the current accounting period. At 31 March 2008, contributions of HK$Nil (2007: HK$26,000) due in respect of the reporting period had not been paid over the schemes.

29. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

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

30. SUMMARISED BALANCE SHEET OF THE COMPANY

	Note	**2008 HK$'000**	2007 HK$'000
Investment in a subsidiary		**111,968**	111,968
Amounts due from subsidiaries		**125,118**	175,883
Other assets		**63,086**	403
Amounts due to subsidiaries		**(162,217)**	(161,804)
Other liabilities		**(180)**	(235)
		137,775	126,215
Share capital		**26,278**	26,278
Reserves	*(a)*	**111,497**	99,937
		137,775	126,215

Note:

(a) Reserves

	Share premium HK$'000	*Special reserve HK$'000*	*Share option reserve HK$'000*	*Retained profits HK$'000*	*Total HK$'000*
At 1 April 2006	*78,699*	*40,007*	*447*	*18,974*	*138,127*
Issue of shares upon exercise of share options	*246*	*–*	*–*	*–*	*246*
Recognition of equity–settled share-based payment	*–*	*–*	*215*	*–*	*215*
Loss for the year	*–*	*–*	*–*	*(1,074)*	*(1,074)*
Dividends paid	*–*	*(37,577)*	*–*	*–*	*(37,577)*
At 31 March 2007	*78,945*	*2,430*	*662*	*17,900*	*99,937*
Profit for the year	*–*	*–*	*–*	*62,276*	*62,276*
Dividends paid	*–*	*(2,430)*	*–*	*(48,286)*	*(50,716)*
At 31 March 2008	*78,945*	*–*	*662*	*31,890*	*111,497*

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

31. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 March 2008 and 2007 are as follows:

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

Notes:

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

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

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31 March 2008 and 2007 or at any time during both years.

Financial summary

RESULTS

	Year ended 31 March				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Revenue	514,089	585,399	657,254	965,990	**1,044,024**
Profit before taxation	104,492	78,901	80,955	138,428	**156,279**
Taxation	(12,053)	(8,289)	(8,003)	(12,526)	**(14,858)**
Profit for the year	92,439	70,612	72,952	125,902	**141,421**

ASSETS AND LIABILITIES

	At 31 March				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Total assets	595,744	645,483	721,387	812,510	**935,447**
Total liabilities	(128,715)	(136,223)	(163,523)	(164,510)	**(193,360)**
Shareholders' equity	467,029	509,260	557,864	648,000	**742,087**

Note: The HKICPA has issued a number of new and revised HKFRSs, that are effective for accounting periods beginning on or after 1 January 2005, relevant to the results and financial position of the Group for the year ended 31 March 2007. Financial information for 2005 has been restated for these new and revised policies in accordance with the transitional provisions. Financial information for earlier years have not been adjusted to take into account of the effect on application of these new and revised HKFRSs. Furthermore, the adoption of new and revised HKFRSs in 2008 has no material impact to the Group.

Corporate information

BOARD OF DIRECTORS

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

Non-executive Director
Ku Yiu Tung

Independent non-executive Directors
Lo Wa Kei, Roy
Lee Kwong Yiu
Wong Che Man, Eddy

COMPANY SECRETARY
Yung Yun Sang, Simon

AUDITOR
Deloitte Touche Tohmatsu

LEGAL ADVISER IN HONG KONG
Arculli Fong & Ng

LEGAL ADVISER ON BERMUDA LAW
Conyers Dill & Pearman

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
1001C, 10th Floor, Sunbeam Centre
27 Shing Yip Street, Kwun Tong
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR
Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

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

WEBSITE
www.sunhingoptical.com

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新興光學集團控股有限公司

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1001C, 10th Floor, Sunbeam Centre, 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong
(香港)九龍觀塘成業街27號 日昇中心10樓1001C室
Tel 電話：(852) 2341 7698 Fax 傳真：(852) 2797 9189

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