SUN HING VISION GROUP HOLDINGS LIMITED

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

ANNUAL REPORT 2012/13 年報

STOCK CODE 股份代號：125

# CONTENTS

# CORPORATE PROFILE

## A KEY MARKET PLAYER WITH DIVERSIFIED OPERATIONS

Sun Hing Vision Group is one of the world's leading eyewear designers and manufacturers. We produce eyewear on an ODM basis for many of the world's international and designer brands.

As an eyewear distributor with a strong Asian presence, we have unique expertise in managing our branded eyewear distribution business. Our brand portfolio includes Levis®, Jill Stuart, Missoni, M Missoni, Pal Zileri, New Balance, Celine Dion, S.T. Dupont, Specialeyes, Mark Fairwhale and our house brand, Public+.

## A TRUSTWORTHY PARTNER

We have an efficient team of talents that shares with us a common belief in quality and innovation. We also maintain a solid bond with our stakeholders, from customers to suppliers. We are a trustworthy partner and strive to achieve the highest synergy with all of our stakeholders.

# CARING FOR THE ENVIRONMENT

Sun Hing Vision Group is committed to clean production, efficient energy consumption as well as wastage reduction. We are dedicated to play a part to build a better world and care about the environment that we are living in.

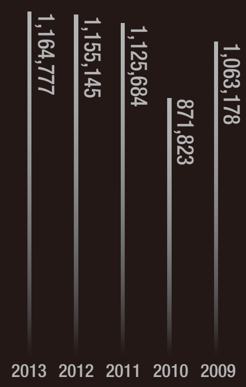
# PURSUING PERFECTION

Sun Hing Vision Group is a learning organization that never stops at setting ourselves a goal higher than before. We dare to pursue perfection and are dedicated to seek for breakthrough in every aspect of our operation.

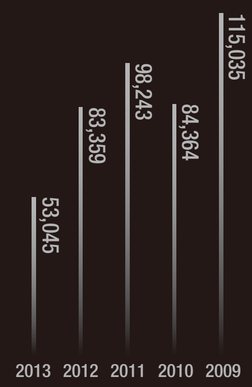
Sun Hing Vison Group is a name that equates to superior design, manufacturing and customer service. Our premium products and professional management give us a solid foundation to achieve long-term success.

# FINANCIAL HIGHLIGHTS

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

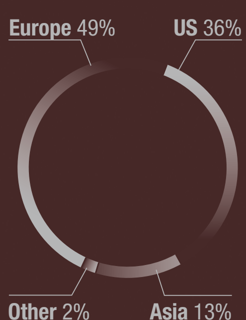



**PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**
*(HK$'000) for year ended 31 March*



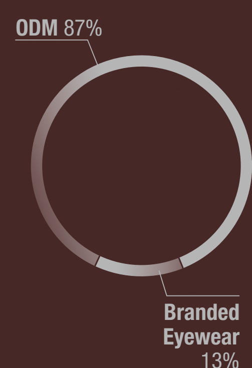
## REVENUE BY GEOGRAPHICAL AREA

*for year endes 31 March 2013*




## REVENUE BY BUSINESS DIVISION

*for year endes 31 March 2013*




# 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 2013.

## RESULTS

Business environment continued to be challenging during the year under review, and as a result the Group's financial performance was adversely affected. For the year ended 31 March 2013, the Group recorded a slight increase in turnover by 0.83% to HK$1,165 million (2012: HK$1,155 million). However, net profit of the Group decreased by 36.37% to HK$53 million (2012: HK$83 million). Accordingly, basic earnings per share decreased by 37.5% to HK20 cents (2012: HK32 cents).

## DIVIDENDS

The Directors have resolved to recommend at the forthcoming annual general meeting a final dividend of HK10.0 cents per share and a final special dividend of HK1.0 cent per share for the year ended 31 March 2013, to the shareholders whose names appear in the register of members of the Company at the close of business on 4 September 2013. This final and final special dividend, together with the interim and interim special dividend of HK5.5 cents per share already paid, will make a total distribution of HK16.5 cents per share for the full year. The final dividend and final special dividend are expected to be paid on or about 19 September 2013.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 August 2013 to 23 August 2013 (both days inclusive) and from 30 August 2013 to 4 September 2013 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong ("Hong Kong Share Registrar") not later than 4:00 p.m. on 19 August 2013. In order to qualify for the proposed final dividend and final special dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar not later than 4:00 p.m. on 29 August 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Global economy remained weak and sluggish. The progress of economic recovery fell short of expectation and the world's major markets were still clouded by uncertainty. Despite such an unfavorable economic background, the Group was still able to maintain a stable operating revenue. For the year ended 31 March 2013, the Group's consolidated turnover slightly increased by 0.83% to HK$1,165 million (2012: HK$1,155 million). The Group's turnover for both of its original design manufacturing ("ODM") business and branded eyewear distribution business accounted for about 87% and 13% of the Group's consolidated turnover respectively.

During the year under review, the Group was continuously affected by the rising labor costs in China and the appreciation of Renminbi. To alleviate the cost pressure, the Group introduced all-rounded measures to tighten its cost control and improve its operating efficiency, but the positive effects of those measures could not offset the negative impacts from rising costs. As a result, the Group recorded a decline in both gross profit and net profit as compared to that of last fiscal year. Gross profit margin and net profit margin decreased from 20.37% to 18.29% and from 7.22% to 4.55% respectively.

### The ODM Business

The Group recorded an increase in ODM turnover by 4.97% to HK$1,013 million (2012: HK$965 million) during the year under review. Business sentiment of the world's major consumer markets slightly improved in the second half of the reporting fiscal year and the Group received plenty of replenishment orders during such period from its customers. Europe and United States continued to be the two largest markets of the Group's ODM business and accounted for 55% and 41% of the Group's ODM turnover respectively. During the year under review, the Group's ODM turnover to Europe and the United States increased by 2.95% to HK$559 million (2012: HK$543 million) and increased by 11.41% to HK$420 million (2012: HK$377 million) respectively. However, the Group is still cautious about the general consumer market because the global economy will remain fragile and the progress of recovery will still be slow. In terms of product mix, sales of plastic frames, metal frames and others accounted for 52%, 47% and 1% (2012: 47%, 52% and 1%) of the Group's ODM turnover respectively. The Group observed a persistent increasing demand for plastic frames, and has responsively adjusted its production capacity to capture this rising trend.

### The Branded Eyewear Distribution Business

Market demand for the Group's branded eyewear products remained weak due to the slower consumer market in Asia. For the year ended 31 March 2013, turnover contributed by the Group's branded eyewear distribution business decreased by 20.00% to HK$152 million (2012: HK$190 million). Asia continued to be the largest market of the Group's distribution business and accounted for 84% of the total distribution turnover. As a result of the poor market sentiment, turnover from the Asian market decreased by 20.50% to HK$128 million (2012: HK$161 million). Customers of the Group held a cautious view on the market and further carried out exercises to reduce their inventory level in response to the uncertain market demand. Besides, the restructuring of the Group's distribution channels in certain countries during the year under review also adversely affected the turnover performance.

## LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a strong liquidity and financial position. It held a cash and bank balance of HK$352 million as at 31 March 2013 and did not have any bank borrowings throughout the year. Net cash inflow from operations amounted to HK$88 million during the reporting fiscal year. The Group will continue to adopt a prudent approach to manage its cash flows, without compromising the needs for investing in carefully selected assets that will enhance the Group's productivity.

Given the Group's strong cash position, the Directors have again resolved to declare a final special dividend of HK1.0 cent per share on the top of the final dividend of HK10.0 cents per share for the year ended 31 March 2013. The Directors will continue to monitor the dividend policy closely to ensure that an optimal balance can be achieved between the retention of sufficient liquidity in the Group to prepare for the uncertainty ahead and the distribution of earnings to the shareholders respectively.

As at 31 March 2013, the net current assets and current ratio of the Group were approximately HK$636 million and 3.9:1 respectively. The total shareholders' equity of the Group increased to HK$941 million as at 31 March 2013 from HK$928 million as at 31 March 2012 after the payment of dividends during the year. The Group adopted a responsive but yet prudent approach to manage its receivables and inventories. Debtor turnover period and inventory turnover period were 95 days and 70 days respectively. The Directors are confident that the financial position of the Group will remain strong, and the Group has sufficient liquidity and financial resources to meet its present commitments and future business plans.

## FOREIGN EXCHANGE EXPOSURE

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

## HUMAN RESOURCES

The Group had a workforce of over 8,000 people as at 31 March 2013. The Group remunerates its employees based on their performance, years of service, work experience and the prevailing market situation. Bonuses and other incentive payments are granted on a discretionary basis based on individual performance, years of service and overall operating results of the Group. Other employee benefits include medical insurance scheme, mandatory provident fund scheme or other retirement benefit scheme, subsidised or free training programs and participation in the Company's share option scheme.

## CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2013, there were no charges on the Group's assets or any significant contingent liabilities.

# LETTER TO SHAREHOLDERS (continued)

## CAPITAL COMMITMENT

Details of the Group's capital commitment are set out in Note 26 to the consolidated financial statements.

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

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

## PROSPECTS

The business environment is expected to be volatile in the years to come. On the demand side, the consumer confidence is still weak, which makes the market demand highly uncertain. The pace for economic recovery is slow and it is expected that it takes time for the growth momentum of economy to be fully restored. On the cost side, labor costs in China are expected to continue to rise, as a result of Chinese government's effort to improve living standard of general workforce to support its long-term strategy to transform its economy to be more consumption-oriented. Renminbi is likely to continue to appreciate in the near future and that will certainly exert additional cost pressure on the Group.

In order to cope with the challenging business environment, the Group will continue to carry out all-rounded projects to streamline its production. Dedicated cross-functional teams have been formed to perform detailed review on the Group's major production processes, with an aim to explore room for efficiency enhancement. The Group will further strengthen its bond with the major suppliers. The Group closely monitors the material price trend and actively seeks new sourcing channels to enhance purchase effectiveness. Expenditures are tightly controlled, but the Group will still continue to invest in assets that help to automate production, improve product quality and increase efficiency. To weather the volatile market demand, the Group will maintain a flexible production capacity so as to make the Group be responsive to any possible change in product mix and order volume.

The Group has a strong customer base for both of its ODM business and branded eyewear distribution business. It will continuously strengthen its relationship with customers by delivering them excellent services and products. Meanwhile, the Group will further explore new market channels and widen its product horizon. During the year under review, the Group further increased its presence in the Chinese market through its own wholesale network in China. The Group will continuously strengthen its brand portfolio. Some of the Group's branded products will be repositioned and tailored for specific markets to increase product uniqueness. At the same time, the Group is actively seeking licensing opportunities for new prominent brands to enrich its brand portfolio.

The Group has a sound foundation, supported by its strong balance sheet, stable cash flow and low gearing position. The Group also has an experienced management team, responsive workforce, edge-cutting knowledge on the market and production, creative design capacity and efficient operating system. Levering on all these assets as mentioned above and the actions that we are going to take, we are confident to overcome the challenges, create long-term value for our shareholders and deliver the objective of achieving sustainable growth in long run.

## APPRECIATION

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

**Ku Ngai Yung, Otis**
*Chairman*

**Ku Ka Yung**
*Deputy Chairman*

24 June 2013

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

Mr. Ku Ngai Yung, Otis, aged 46, is the chairman and managing Director of the Group. He is also a director of certain group members. Mr. Ku holds a bachelor of arts degree majoring in administrative and commercial studies from the University of Western Ontario, Canada. He joined the Group in June 1988. He is responsible for the Group's overall corporate policy making, strategic planning and business development. He is the son of Mr. Ku Yiu Tung and the brother of Mr. Ku Ka Yung and Ms. Ku Ling Wah, Phyllis.

Mr. Ku Ka Yung, aged 40, is the deputy chairman and chief financial officer of the Group. He is also a director of certain group members. Mr. Ku is responsible for the Group's accounting and financial management. He holds a bachelor of commerce degree from the University of Toronto, Canada and a master of business administration degree from McGill University, Montreal, Canada. He is a certified public accountant in the US. He joined the Group in August 1996. He is the brother of Mr. Ku Ngai Yung, Otis and Ms. Ku Ling Wah, Phyllis and the son of Mr. Ku Yiu Tung.

Mr. Tsang Wing Leung, Jimson, aged 45, is the executive Director responsible for the Group's product development and purchasing activities. He also holds position of other Group member. He joined the Group in February 1989.

Ms. Ku Ling Wah, Phyllis, aged 48, is the former executive Director responsible for the general administration including accounting, human resources management and treasury functions of the Group in Hong Kong. She also holds position of other Group member. She joined the Group in January 1988. She is the sister of Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung, and the daughter of Mr. Ku Yiu Tung. Ms. Ku resigned as executive Director on 28 December 2012.

Mr. Chan Chi Sun, aged 47, is the executive Director responsible for the general administration of the Group. He also holds directorships and other positions of other Group members. Mr. Chan holds a bachelor degree from the University of Western Ontario, Canada. He joined the Group in June 1994. He is responsible for the overall administration of the Group and has extensive experience in information technology.

Ms. Ma Sau Ching, aged 51, is the executive Director responsible for the marketing development of the Group. She also holds position of other Group member. Ms. Ma holds a master of business administration degree in strategic marketing from the University of Hull, United Kingdom, and a diploma in management studies from the Hong Kong Polytechnic University. She joined the Group in December 1997.

## NON-EXECUTIVE DIRECTOR

Mr. Ku Yiu Tung, aged 79, is the founder of the Group and has more than forty years of experience in the optical industry. Mr. Ku Yiu Tung is the father of Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung and Ms Ku Ling Wah, Phyllis. Mr. Ku resigned as non-executive Director on 22 March 2013.

# DIRECTORS AND SENIOR MANAGEMENT (continued)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Wa Kei, Roy, aged 42, has been an independent non-executive Director of the Group since 1 May 1999. He is a fellow member of Hong Kong Institute of Certified Public Accountants (Practicing) and CPA Australia. He is also a member of the Institute of Chartered Accountants in England and Wales. Mr. Lo has over twenty years of experience in auditing, accounting, risk management and finance. He is the deputy managing partner of SHINEWING (HK) CPA Limited. He is also currently an independent non-executive director of China Zhongwang Holdings Limited, North Mining Shares Company Limited and Sheen Tai Holdings Group Company Limited and was an independent non-executive director of Time Infrastructure Holdings Limited (now known as Goldpoly New Energy Holdings Limited) until 26 November 2010. These four companies are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Mr. Lee Kwong Yiu, aged 50, has over eighteen years of experience in Hong Kong law as a qualified solicitor. He is now the principal of Philip K. Y. Lee & Co. Solicitors. He is also the Associate Member of the Chartered Institute of Arbitrators and is a China-Appointed Attesting Officer since 20 April 2006. Mr. Lee has been appointed as an independent non-executive Director since 1 May 2001. He is also currently an independent non-executive director of ABC Communications (Holdings) Limited and was an independent non-executive director of Vital Group Holdings Limited (now known as CGN Mining Company Limited) until 18 August 2011. Both companies are listed on the Stock Exchange.

Mr. Wong Che Man, Eddy, aged 53, has over twenty one years of experience in the auditing and accounting profession. He is the sole proprietor of Eddy Wong & Co., Certified Public Accountants, and is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wong was appointed as an independent non-executive Director on 21 September 2004. He is currently an independent non-executive director of China All Access (Holdings) Limited, which is a company listed on the Stock Exchange.

# CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high standard of corporate governance with a view to 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 Corporate Governance Code (the "CG Code") and the Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year ended 31 March 2013, the Company has complied with all applicable code provisions in the CG Code which were effective during the period between 1 April 2012 to 31 March 2013, except for the deviations from Code A.2.1 and Code A.6.7,of the CG Code as described below in the "Chairman and Chief Executive Officer" and "General Meeting" sections respectively.

## 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 2013.

## BOARD OF DIRECTORS

After the resignation of Ms. Ku Ling Wah, Phyllis, a former executive Director, from 28 December 2012 and Mr. Ku Yiu Tung, a former non-executive Director, from 22 March 2013, the Board currently comprises of five executive Directors, namely Mr. Ku Ngai Yung, Otis (Chairman), Mr. Ku Ka Yung (Deputy Chairman), Mr. Tsang Wing Leung, Jimson, Mr. Chan Chi Sun and Ms. Ma Sau Ching and three independent non-executive Directors (representing at least one-third of the Board), namely Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy. Two of the independent non-executive Directors possess appropriate professional accounting qualifications and financial management expertise. All of the independent non-executive Directors have signed their respective confirmation letters to the Company confirming their independence as set out in rule 3.13 of the Listing Rules. Biographical details of the Directors are set out in the section of Directors and Senior Management on pages 17 to 18. The Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company.

The Board conducted five Board meetings, all of such meetings were regular Board meetings in compliance with Code A.1.1 of the CG Code, during the year ended 31 March 2013. The attendance of each Director is set out as follows:

| **Directors** | **Attendance Record** |
|---|---|
| Mr. Ku Ngai Yung, Otis *(Chairman)* | 5/5 |
| Mr. Ku Ka Yung *(Deputy Chairman)* | 5/5 |
| Mr. Tsang Wing Leung, Jimson | 5/5 |
| Ms. Ku Ling Wah, Phyllis (resigned on 28 December 2012) | 4/5 |
| Mr. Chan Chi Sun | 4/5 |
| Ms. Ma Sau Ching | 5/5 |
| Mr. Ku Yiu Tung (resigned on 22 March 2013) | 4/5 |
| Mr. Lo Wa Kei, Roy | 5/5 |
| Mr. Lee Kwong Yiu | 5/5 |
| Mr. Wong Che Man, Eddy | 5/5 |

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

The Board is also responsible for performing the corporate governance function of the Company in accordance with written terms of reference that are consistent with the duties as set out in Code D3.1 of the CG Code. During the year ended 31 March 2013, the Board has performed the duties and reviewed the corporate governance report and monitored the Company's compliance with the CG Code. The Board has also reviewed the Company's policies and practice on corporate governance.

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Mr. Ku Ngai Yung, Otis, Mr. Tsang Wing Leung, Jimson and Mr. Chan Chi Sun, all of them are executive Directors, and Mr. Wong Che Man, Eddy, an independent non-executive Director were re-elected as Directors at the 2012 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, and Mr. Lo Wa Kei, Roy and Mr. Lee Kwong Yiu, both independent non-executive Directors, will retire at the forthcoming 2013 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.

Mr. Lo Wa Kei, Roy and Mr. Lee Kwong Yiu have served the Company for more than nine years. They have not engaged in any executive management of the Group. Having regard to their independent scope of work in the past years and the confirmations of independence pursuant to rule 3.13 of the Listing Rules provided by each of Mr. Lo Wa Kei, Roy and Mr. Lee Kwong Yiu to the Company, the Board considers that Mr. Lo Wa Kei, Roy and Mr. Lee Kwong Yiu are able to continue to independently fulfill their role as independent non-executive Directors. Each of their re-election will be subject to separate resolutions to be approved by shareholders of the Company at the forthcoming 2013 annual general meeting.

## CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Under Code A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding, placing an appropriate emphasis on the roles, functions and duties of the Directors. During the year ended 31 March 2013, all Directors, other than Mr. Lo Wa Kei, Roy, attended a seminar on director's duties organized by the Company and conducted by the Company's legal advisor, Messrs. King & Wood Mallesons. All Directors were also provided by the Company with materials designed for refreshing knowledge on Listing Rules and other relevant laws and regulations. According to the records maintained by the Company, Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy participated in courses, seminars and other continuous professional development programs required for their professional practices. Details of the professional qualifications of each Directors are set out in the section of Directors and Senior Management on pages 17 to 18.

## COMPANY SECRETARY

Mr. Lee Kar Lun, Clarence was appointed as the company secretary of the Company on 26 October 2012. He is a full time employee of the Group and possesses the professional qualifications as required under rule 3.28 of the Listing Rules. Mr. Lee Kar Lun, Clarence confirmed that he has undertaken not less than 15 hours of relevant professional training during the year ended 31 March 2013 in accordance with rule 3.29 of the Listing Rules.

Mr. Yung Yun Sang, Simon resigned as the company secretary of the Company with effect from 26 October 2012. Mr. Yung Yun Sang, Simon is a solicitor qualified in Hong Kong.

## REMUNERATION COMMITTEE

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

The Remuneration Committee held one meeting during the year ended 31 March 2013. The attendance of each remuneration committee member is set out as follows:–

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

During the year ended 31 March 2013, the Remuneration Committee has reviewed and made recommendations to the Board on the remuneration packages of individual Directors and senior management and the overall remuneration policy of the Group and assessed performance of the Directors.

## AUDIT COMMITTEE

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

## CORPORATE GOVERNANCE REPORT (continued)

During the year ended 31 March 2013, 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 |

During the year ended 31 March 2013, the Audit Committee has performed the above duties, including making recommendations to the Board regarding internal control matters, and reviewing the interim and annual reports of the Group. The Group's consolidated financial statements for the year ended 31 March 2013 have been reviewed by the Audit Committee and audited by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu.

## AUDITOR'S REMUNERATION

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

| Type of Services | Fees paid/payable |
|---|---|
| Audit services | HK$1,120,000 |
| Non-audit services | |
| Interim results review | HK$200,000 |
| Tax compliance and advisory services | HK$138,000 |
| Internal control review | HK$65,000 |

## NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was established by the Company with written terms of reference. The Nomination Committee comprises Mr. Wong Che Man, Eddy (Chairman), Mr. Lo Wa Kei, Roy and Mr. Lee Kwong Yiu, all of whom are independent non-executive Directors, as well as the human resources manager of the Group. The duties of the Nomination Committee include, inter alia, the review of the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

During the year ended 31 March 2013, the Nomination Committee held one meeting. Attendance of each nomination committee member is set out as follows:–

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

During the year ended 31 March 2013, the Nomination Committee has monitored and reviewed the nomination procedures and process for the nomination of Directors, reviewed the composition of the Board and made recommendation to the Board on matters related to election and retirement of the Directors.

## ACCOUNTABILITY AND INTERNAL CONTROL

The Directors acknowledge their responsibility to prepare financial statements for the financial year ended 31 March 2013 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 2013, 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 31.

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 2013, the Board has assessed the effectiveness of the Group's internal control system through (i) conducting regular management meetings to discuss and handle internal control issues; (ii) reviewing the findings made by the auditor in respect of issues encountered during the processes of annual audit and interim review; and (iii) engaging a specialized division of Messrs. Deloitte Touche Tohmatsu to assess the internal controls in respect of certain key business operations of the Group. Based on the results of the assessment, the Board is satisfied with the effectiveness of the internal control system of the Group. Appropriate actions are being taken to address the areas for improvement identified.

## GENERAL MEETING

During the year ended 31 March 2013, there was one general meeting (the annual general meeting). The attendance of each Director is set out as follows:

| **Directors** | **Attendance Record** |
|---|---|
| Mr. Ku Ngai Yung, Otis *(Chairman)* | 1/1 |
| Mr. Ku Ka Yung *(Deputy Chairman)* | 1/1 |
| Mr. Tsang Wing Leung, Jimson | 1/1 |
| Ms. Ku Ling Wah, Phyllis (resigned on 28 December 2012) | 0/1 |
| Mr. Chan Chi Sun | 1/1 |
| Ms. Ma Sau Ching | 0/1 |
| Mr. Ku Yiu Tung (resigned on 22 March 2013) | 0/1 |
| Mr. Lo Wa Kei, Roy | 1/1 |
| Mr. Lee Kwong Yiu | 1/1 |
| Mr. Wong Che Man, Eddy | 1/1 |

Code A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings. The former non-executive Director did not attend the annual general meeting of the Company held on 24 August 2012 due to other commitment.

## COMMUNICATION WITH SHAREHOLDERS

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

## SHAREHOLDERS' RIGHTS

### Procedures by which shareholders can convene a special general meeting

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

### Procedures by which enquiries may be put to the Board

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

### Procedures for putting forward proposals at general meetings

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

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

### Investor Relations

There has been no significant change in the Company's constitutional documents during the year ended 31 March 2013.

# DIRECTORS' REPORT

The Directors of Sun Hing Vision Group Holdings Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2013.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 32.

An interim dividend of HK4.5 cents per share of the Company amounting to approximately HK$11,825,000 and an interim special dividend of HK1.0 cent per share amounting to approximately HK$2,628,000 were paid to the shareholders of the Company during the year. The Directors now recommend a final dividend of HK10.0 cents per share amounting to approximately HK$26,278,000 and a final special dividend of HK1.0 cent per share amounting to approximately HK$2,628,000 to the shareholders of the Company whose names appear on the register of members at the close of business on 4 September 2013.

## PROPERTY, PLANT AND EQUIPMENT

Certain of the Group's leasehold land and buildings were revalued at 31 March 2013. The revaluation resulted in a total surplus/deficit over their carrying amounts of approximately HK$10,340,000, which has been credited to the property revaluation reserve in the equity.

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$57,454,000 to maintain the existing plants and upgrade production facilities. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 70% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 25% of the Group's total sales.

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

At no time during the year did a Director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors, 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 2013, the Company's reserves available for distribution comprising retained profits of HK$147,154,000 (2012: HK$122,579,000).

# DIRECTORS' REPORT (continued)

## DIRECTORS

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

### Executive Directors:

Ku Ngai Yung, Otis *(Chairman)*
Ku Ka Yung *(Deputy Chairman)*
Tsang Wing Leung, Jimson
Chan Chi Sun
Ma Sau Ching
Ku Ling Wah, Phyllis (resigned on 28 December 2012)

### Non-executive Director:

Ku Yiu Tung (resigned on 22 March 2013)

### Independent non-executive Directors:

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

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

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

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company. Each of Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung, Mr. Tsang Wing Leung, Jimson and Ms. Ku Ling Wah, Phyllis (resigned on 28 December 2012) 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 (resigned on 22 March 2013) has entered into a service agreement with the Company for an initial 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 an initial term of three years. The term of Mr. Lo Wa Kei, Roy commenced from 20 September 2004 and continuing thereafter until terminated by not less than three months' prior written notice served by either party. The term of Mr. Lee Kwong Yiu commenced from 4 September 2003 for a term of three years and continuing thereafter until terminated by not less than three months' prior written notice served by either party. The term of Mr. Wong Che Man, Eddy commenced from 21 September 2004 for a term of three years and continuing thereafter until terminated by not less than three months' prior written notice served by either party.

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

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

As at 31 March 2013, the interests and short positions of the Directors and chief executives of the Company, and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### 1. Shares in the Company (Long Positions)

| | Number of ordinary shares held | | | Percentage of issued share capital of the Company |
|---|---|---|---|---|
| **Name of Directors** | **Personal interest** | **Other interest** | **Total** | |
| Ku Ngai Yung, Otis | 3,737,223 | 137,359,382 *(Note i)* | 141,096,605 | 53.69% |
| Ku Ka Yung | 3,737,223 | 137,359,382 *(Note i)* | 141,096,605 | 53.69% |
| Ku Ling Wah, Phyllis *(Note ii)* | – | 137,359,382 *(Note i)* | 137,359,382 | 52.27% |
| Tsang Wing Leung, Jimson | 1,570,000 | – | 1,570,000 | 0.60% |
| Chan Chi Sun | 1,526,000 | – | 1,526,000 | 0.58% |
| Ma Sau Ching | 350,000 | – | 350,000 | 0.13% |

*Note:*

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

ii. Ms. Ku Ling Wah, Phyllis resigned as executive Director on 28 December 2012.

# DIRECTORS' REPORT (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 2013, none of the Directors, chief executives, nor their associates, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

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

During the year ended 31 March 2013 and as at the date of this report, there was no shares in respect of which share options had been granted and remained outstanding under the Old Share Option Scheme. No further share options can be granted upon termination of the Old Share Option Scheme.

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

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding companies 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 2013, the following parties (other than those disclosed under the headings "Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures" and "Share Options" above) were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

| Name of substantial shareholders | Number of ordinary shares held | Percentage of the issued share capital of the Company |
|---|---|---|
| United Vision International Limited *(Note 1)* | 137,359,382 | 52.27% |
| Marshvale Investments Limited *(Note 1)* | 137,359,382 | 52.27% |
| HSBC International Trustee Limited *(Notes 1 & 2)* | 138,177,382 | 52.58% |
| FMR LLC *(Note 3)* | 24,192,000 | 9.21% |
| Webb David Michael *(Notes 4 & 5)* | 23,656,000 | 9.00% |
| Preferable Situation Assets Limited *(Note 5)* | 18,443,000 | 7.02% |

*Notes:*

1. As at 31 March 2013, United Vision International Limited ("UVI") is wholly-owned by Marshvale Investments Limited ("Marshvale"). By virtue of UVI's interests in the Company, Marshvale is deemed to be interested in 137,359,382 shares of the Company under the SFO. Marshvale is wholly-owned by HSBC International Trustee Limited ("HSBC Trustee"). By virtue of Marshvale's indirect interests in the Company, HSBC Trustee is deemed to be interested in 137,359,382 shares of the Company under the SFO. Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung are directors of UVI.

2. HSBC Trustee is the trustee of The Vision Trust, the discretionary trust settled by Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung mentioned above. Of the 138,177,382 shares of the Company held by HSBC Trustee, 137,359,382 shares of the Company were held indirectly through UVI as mentioned in note (1) above and 818,000 shares of the Company were held as trustee.

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

4. As at 11 April 2011 (i.e. the date of the relevant event as set out in the individual substantial shareholder notice filed on 14 April 2011), of the 23,656,000 shares of the Company held by David Michael Webb, 18,908,000 shares of the Company were held through his wholly owned company, Preferable Situation Assets Limited, while 4,748,000 shares of the Company were held directly by him. By virtue of Preferable Situation Assets Limited's interests in the Company, David Michael Webb is deemed to be interested in the same 18,908,000 shares of the Company held by Preferable Situation Assets Limited under the SFO. (Please also see note 5 below)

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

All the interests stated above represent long position. Save as disclosed above, as at 31 March 2013, 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.

# DIRECTORS' REPORT (continued)

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## EMOLUMENT POLICY

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

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

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

## PRE-EMPTIVE RIGHTS

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

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2013.

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

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

## CORPORATE GOVERNANCE

The corporate governance report is set out on pages 19 to 24.

## AUDITOR

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

On behalf of the Board
**Ku Ka Yung**
*Deputy Chairman*

Hong Kong, 24 June 2013

# INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Sun Hing Vision Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 66, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

24 June 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2013*

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| Revenue | 7 | **1,164,777** | 1,155,145 |
| Cost of sales | | **(951,784)** | (919,864) |
| Gross profit | | **212,993** | 235,281 |
| Other income, gains and losses | 8 | **(4,409)** | 134 |
| Selling and distribution costs | | **(22,559)** | (15,169) |
| Administrative expenses | | **(125,397)** | (126,608) |
| Profit before tax | | **60,628** | 93,638 |
| Income tax expense | 9 | **(7,583)** | (10,279) |
| Profit for the year attributable to owners of the Company | 10 | **53,045** | 83,359 |
| **Other comprehensive income** | | | |
| Surplus on revaluation of leasehold land and buildings | | **10,340** | 2,790 |
| Deferred tax charge arising on revaluation of leasehold land and buildings | | **(1,706)** | (459) |
| Exchange difference arising on translation of foreign operations | | **241** | – |
| Other comprehensive income for the year | | **8,875** | 2,331 |
| Total comprehensive income attributable to owners of the Company for the year | | **61,920** | 85,690 |
| Earnings per share | 14 | | |
| Basic | | **HK20 cents** | HK32 cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2013*

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | **302,620** | 288,259 |
| Prepaid lease payments | 16 | **3,496** | 3,588 |
| Deposit paid for acquisition of property, plant and equipment | | **3,091** | 2,658 |
| | | **309,207** | 294,505 |
| CURRENT ASSETS | | | |
| Inventories | 17 | **183,177** | 161,914 |
| Trade and other receivables | 18 | **320,356** | 294,536 |
| Prepaid lease payments | 16 | **91** | 91 |
| Derivative financial instruments | 19 | **455** | – |
| Tax recoverable | | **2,429** | – |
| Bank balances and cash | 20 | **351,960** | 366,405 |
| | | **858,468** | 822,946 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 21 | **219,793** | 184,120 |
| Tax payable | | **3,011** | 2,748 |
| | | **222,804** | 186,868 |
| NET CURRENT ASSETS | | **635,664** | 636,078 |
| | | **944,871** | 930,583 |
| CAPITAL AND RESERVES | | | |
| Share capital | 22 | **26,278** | 26,278 |
| Share premium and reserves | | **915,114** | 901,808 |
| | | **941,392** | 928,086 |
| NON-CURRENT LIABILITY | | | |
| Deferred tax liabilities | 24 | **3,479** | 2,497 |
| | | **944,871** | 930,583 |

The consolidated financial statements on pages 32 to 66 were approved and authorised for issue by the Board of Directors on 24 June 2013 and are signed on its behalf by:

| | |
|---|---|
| **Ku Ngai Yung, Otis** | **Ku Ka Yung** |
| *DIRECTOR* | *DIRECTOR* |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2013*

| | Share capital HK$'000 | Share premium HK$'000 | Special reserve HK$'000 | Property revaluation reserve HK$'000 | Translation reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1 April 2011 | 26,278 | 78,945 | 18,644 | 6,029 | – | 765,844 | 895,740 |
| Profit for the year | – | – | – | – | – | 83,359 | 83,359 |
| Surplus on revaluation of leasehold land and buildings | – | – | – | 2,790 | – | – | 2,790 |
| Deferred tax charge arising on revaluation of leasehold land and buildings | – | – | – | (459) | – | – | (459) |
| Other comprehensive income | – | – | – | 2,331 | – | – | 2,331 |
| Total comprehensive income for the year | – | – | – | 2,331 | – | 83,359 | 85,690 |
| Dividends recognised as distribution *(note 13)* | – | – | – | – | – | (53,344) | (53,344) |
| At 31 March 2012 | 26,278 | 78,945 | 18,644 | 8,360 | – | 795,859 | 928,086 |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **53,045** | **53,045** |
| Surplus on revaluation of leasehold land and buildings | **–** | **–** | **–** | **10,340** | **–** | **–** | **10,340** |
| Deferred tax charge arising on revaluation of leasehold land and buildings | **–** | **–** | **–** | **(1,706)** | **–** | **–** | **(1,706)** |
| Exchange difference arising on translation of foreign operations | **–** | **–** | **–** | **–** | **241** | **–** | **241** |
| Other comprehensive income | **–** | **–** | **–** | **8,634** | **241** | **–** | **8,875** |
| Total comprehensive income for the year | **–** | **–** | **–** | **8,634** | **241** | **53,045** | **61,920** |
| Dividends recognised as distribution *(note 13)* | **–** | **–** | **–** | **–** | **–** | **(48,614)** | **(48,614)** |
| At 31 March 2013 | **26,278** | **78,945** | **18,644** | **16,994** | **241** | **800,290** | **941,392** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2013*

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before tax | **60,628** | 93,638 |
| Adjustments for: | | |
| Allowance for inventories | **10,100** | 8,036 |
| Bank interest income | **(3,583)** | (3,850) |
| Depreciation of property, plant and equipment | **53,426** | 56,371 |
| Fair value changes on derivative financial instruments | **(455)** | – |
| Gain on disposals of property, plant and equipment | **(688)** | (20) |
| Impairment losses recognised on receivables | **3,712** | 52 |
| Release of prepaid lease payments | **92** | 92 |
| Operating cash flows before movements in working capital | **123,232** | 154,319 |
| Increase in inventories | **(31,284)** | (4,962) |
| Increase in trade and other receivables | **(29,336)** | (12,937) |
| Increase (decrease) in trade and other payables | **35,639** | (15,822) |
| Cash generated from operations | **98,251** | 120,598 |
| Income tax paid | **(10,473)** | (11,986) |
| NET CASH FROM OPERATING ACTIVITIES | **87,778** | 108,612 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | **(57,162)** | (44,442) |
| Deposit paid for acquisition of property, plant and equipment | **(725)** | (908) |
| Interest received | **3,583** | 3,850 |
| Proceeds on disposal of property, plant and equipment | **695** | 20 |
| NET CASH USED IN INVESTING ACTIVITIES | **(53,609)** | (41,480) |
| CASH USED IN A FINANCING ACTIVITY | | |
| Dividends paid | **(48,614)** | (53,344) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | **(14,445)** | 13,788 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | **366,405** | 352,617 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash | **351,960** | 366,405 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2013*

## 1. GENERAL

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 30.

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|---|---|
| Amendments to HKAS 12 | Deferred Tax: Recovery of Underlying Asset; and |
| Amendments to HKFRS 7 | Financial Instruments: Disclosures – Transfers of Financial Assets |

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

### New and revised HKFRSs issued but not yet effective

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

| | |
|---|---|
| Amendments to HKFRS | Annual Improvements to HKFRSs 2009-2011 Cycle[1] |
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKFRS 7 and HKFRS 9 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[2] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 10 | Consolidated Financial Statements[1] |
| HKFRS 11 | Joint Arrangements[1] |
| HKFRS 12 | Disclosure of Interests in Other Entities[1] |
| HKFRS 13 | Fair Value Measurement[1] |
| HKAS 19 (as revised in 2011) | Employee Benefits[1] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements[1] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[1] |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[4] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[2] |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine[1] |

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 July 2012

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

### HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss ("FVTPL")) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31 March 2016 and the adoption is not expected to have material impact on the consolidated financial statements.

### New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK (SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

The package of five standards, together with the amendments relating to the transitional guidance, will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The directors anticipated that the application of these standards will have no material impact on consolidated financial statements.

### HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and the directors anticipated that the application of the new standard will not have material impact on the amounts reported in the consolidated financial statements, but will result in more extensive disclosures in the consolidated financial statements.

### Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied by the Group in the annual period beginning 1 April 2013.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

### 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.

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

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

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

### Revenue recognition

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment

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

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

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

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

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

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

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

### Leasing

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (continued)

**The Group as lessee**

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

**Leasehold land and building**

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

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

### Foreign currencies

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

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

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

### Retirement benefit costs

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation

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

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

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment losses on tangible assets

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

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

### Inventories

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

### Financial instruments

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

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

**Financial assets**

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

*Effective interest method*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Financial assets** (continued)

*Financial assets at FVTPL*

A financial asset is classified as held for trading if:

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

Financial assets at held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. Fair value is determined in the manner described in note 19.

*Loans and receivables*

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

*Impairment of loans and receivables*

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

Objective evidence of impairment could include:

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Financial assets** (continued)

*Impairment of loans and receivables* (continued)

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

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

**Financial liabilities and equity instruments**

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

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

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

*Equity instruments*

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

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

**Derivative financial instruments**

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

**Derecognition**

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Equity-settled share-based payment transactions

#### Share options granted to employees

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

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

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

### Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2013, the carrying amount of trade receivables is HK$303,970,000 (2012: HK$286,871,000).

### Inventory valuation

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Market price of merchandises is generally the selling price of similar items transacted in the market. The Group reviews its inventory levels in order to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount, the Group accounts for the inventory loss in the profit or loss as write down of inventories. Included in cost of sales is an amount of approximately HK$10,100,000 (2012: HK$8,036,000) in respect of a write-down of raw materials, work in progress and finished goods to their estimated net realisable values.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Valuation of buildings in the People's Republic of China (the "PRC")

The valuation of buildings in the PRC was arrived at depreciation replacement cost basis, which requires an estimate of the new replacement cost of the buildings, from which deductions are then made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc.; all of these might result in the existing properties being worth less than a new replacement.

Favourable or unfavourable changes to these factors would result in changes in the value of the Group's buildings in the PRC and corresponding adjustments to the amount of gain or loss reported in the property revaluation reserve. The carrying amount of buildings in the PRC is set out in note 15.

## 5. CAPITAL RISK MANAGEMENT

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

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

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

## 6. FINANCIAL INSTRUMENTS

### 6a. Categories of financial instruments

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **662,375** | 657,669 |
| FVTPL – Derivative financial instruments | **455** | – |
| **Financial liabilities** | | |
| Amortised cost | **153,778** | 128,327 |

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 6. FINANCIAL INSTRUMENTS (continued)

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

**Market risk**

*(i) Currency risk*

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

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| USD | **565,804** | 500,717 | **33,503** | 29,873 |
| RMB | **71,256** | 128,680 | **69,426** | 45,887 |
| EUR | **1,035** | 1,034 | **5,276** | 7,817 |
| JPY | **233** | 983 | **2,375** | 2,489 |

The management of the Group monitors foreign exchange exposure and uses foreign exchange forward contracts to mitigate foreign currency exposure when necessary.

Sensitivity analysis

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

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

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| RMB impact | **(4,277)** | (3,457) |
| EUR impact | **177** | 283 |
| JPY impact | **89** | 63 |

## 6. FINANCIAL INSTRUMENTS (continued)

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

**Market risk** (continued)

*(ii) Interest rate risk*

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

**Credit risk**

As at 31 March 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is represented by the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables and bank balances.

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

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

The Group has concentration of credit risks with exposure limited to certain counterparties and customers. At the end of reporting period, five customers accounted for HK$183,054,000 (2012: HK$193,367,000) of the Group's trade receivables. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

**Liquidity risk**

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 6. FINANCIAL INSTRUMENTS (continued)

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

**Liquidity risk** (continued)

*Liquidity table*

| | On demand or less than 1 month HK$'000 | 1–3 months HK$'000 | 3 months to 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.3.2013 HK$'000 |
|---|---|---|---|---|---|
| **2013** | | | | | |
| **Non-derivative financial instruments** | | | | | |
| Trade and other payables | **58,592** | **64,785** | **30,401** | **153,778** | **153,778** |

| | On demand or less than 1 month HK$'000 | 1–3 months HK$'000 | 3 months to 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.3.2012 HK$'000 |
|---|---|---|---|---|---|
| 2012 | | | | | |
| Non-derivative financial instruments | | | | | |
| Trade and other payables | 29,870 | 98,083 | 374 | 128,327 | 128,327 |

### 6c. Fair value

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 6. FINANCIAL INSTRUMENTS (continued)

### 6c. Fair value (continued)

| | 2013<br>Level 2<br>HK$'000 | 2012<br>Level 2<br>HK$'000 |
|---|---|---|
| **Financial assets at FVTPL** | | |
| Derivative financial instruments | **455** | – |

There were no transfer between level 1 and 2 in the current and prior years.

Except the above table, 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 the end of the reporting period.

## 7. SEGMENT INFORMATION

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

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

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

### Geographical information

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

| | Non-current assets | |
|---|---|---|
| | 2013<br>HK$'000 | 2012<br>HK$'000 |
| Places of domicile of the relevant group entity: | | |
| – Hong Kong | **33,929** | 24,386 |
| – Guangdong Province in the PRC | **188,840** | 162,954 |
| Other place: | | |
| – Guangdong Province in the PRC | **86,438** | 107,165 |
| | **309,207** | 294,505 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. SEGMENT INFORMATION (continued)

| | Revenue from external customers | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Place of domicile of the relevant group entity: | | |
| – Hong Kong | **33,005** | 38,634 |
| Other places: | | |
| – Italy | **457,784** | 441,034 |
| – United States | **420,111** | 377,140 |
| – Other countries | **253,877** | 298,337 |
| | **1,164,777** | 1,155,145 |

**Information about major customers**

Each of the two (2012: two) largest customers of the Group contributes more than 10% of the Group's revenue for the current year. Revenue of approximately HK$295,277,000 and HK$249,186,000 is attributed to these two customers, respectively, for the year ended 31 March 2013 (2012: approximately HK$299,867,000 and HK$175,535,000).

### 8. OTHER INCOME, GAINS AND LOSSES

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank interest income | **3,583** | 3,850 |
| Impairment losses recognised on trade receivables | **(3,712)** | (52) |
| Net foreign exchange losses | **(6,617)** | (4,099) |
| Gain on disposals of property, plant and equipment | **688** | 20 |
| Fair value changes on derivative financial instruments | **455** | – |
| Others | **1,194** | 415 |
| | **(4,409)** | 134 |

## 9. INCOME TAX EXPENSE

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| The charge comprises: | | |
| Current tax | | |
| – Hong Kong Profits Tax | **5,452** | 10,504 |
| – PRC Enterprise Income Tax ("EIT") | **2,879** | 1,001 |
| | **8,331** | 11,505 |
| Overprovision in respect of prior years | | |
| – Hong Kong Profits Tax | **(24)** | (13) |
| | **8,307** | 11,492 |
| Deferred taxation *(note 24)* | | |
| – Current year | **(724)** | (1,213) |
| | **7,583** | 10,279 |

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

PRC EIT is calculated at the rates in accordance with the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

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

Pursuant to the relevant laws and regulations in the PRC, two PRC subsidiaries of the Company are exempted from EIT for two years from their first profit making year, followed by a 50% reduction for the next three years. The first profit making year of one of the PRC subsidiaries was the calendar year ended 31 December 2008. Accordingly, it is exempted from EIT for two calendar years ended 31 December 2009, and is subjected to a concession rate of 12.5% for the three calendar years ended 31 December 2012. After the end of tax reduction, a unified EIT rate of 25% is applied.

No provision for EIT has been made for the other PRC subsidiary as it did not have any assessable profit for both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9. INCOME TAX EXPENSE (continued)

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

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Profit before tax | **60,628** | 93,638 |
| Tax at the Hong Kong Profits Tax rate of 16.5% | **10,004** | 15,450 |
| Tax effect of expenses not deductible in determining taxable profit | **2,333** | 3,094 |
| Tax effect of income not assessable in determining taxable profit | **(431)** | (667) |
| Overprovision in respect of prior years | **(24)** | (13) |
| Tax effect of Hong Kong Profits Tax on 50: 50 apportionment basis | **(4,478)** | (7,301) |
| Tax effect of tax losses not recognised | **919** | 543 |
| Utilisation of tax loss previously not recognised | **(50)** | (507) |
| Income tax on concessionary rate | **(973)** | (661) |
| Effect of different tax rates of operations in the PRC | **283** | 341 |
| Income tax expense for the year | **7,583** | 10,279 |

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

### 10. PROFIT FOR THE YEAR

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging: | | |
| Auditor's remuneration | **1,320** | 1,360 |
| Cost of inventories recognised as expense (inclusive of allowance for inventories of approximately HK$10,100,000 (2012: HK$8,036,000)) | **951,784** | 919,864 |
| Depreciation of property, plant and equipment | **53,426** | 56,371 |
| Release of prepaid lease payments | **92** | 92 |
| Staff cost | | |
| – directors' emoluments *(note 11)* | **4,772** | 5,334 |
| – other staff costs, comprising mainly salaries | **385,667** | 373,833 |
| – retirement benefit scheme contribution excluding those of directors' | **23,372** | 22,671 |
| | **413,811** | 401,838 |

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the ten (2012: ten) directors, being the senior management of the Group, were as follows:

| | Year ended 31 March 2013 | | | |
|---|---|---|---|---|
| | Fees<br>HK$'000 | Salaries and other benefits<br>HK$'000 | Retirement benefit scheme contribution<br>HK$'000 | Total<br>HK$'000 |
| **Executive directors** | | | | |
| Ku Ngai Yung, Otis | 300 | 208 | 25 | 533 |
| Ku Ka Yung | 68 | 438 | 15 | 521 |
| Ku Ling Wah, Phyllis *(Note i)* | 135 | 232 | 18 | 385 |
| Tsang Wing Leung, Jimson | 486 | 294 | 33 | 813 |
| Chan Chi Sun | 575 | 294 | 37 | 906 |
| Ma Sau Ching | 678 | 342 | 41 | 1,061 |
| | 2,242 | 1,808 | 169 | 4,219 |
| **Non-executive director** | | | | |
| Ku Yiu Tung *(Note ii)* | 193 | – | – | 193 |
| **Independent non-executive directors** | | | | |
| Lo Wa Kei, Roy | 120 | – | – | 120 |
| Lee Kwong Yiu | 120 | – | – | 120 |
| Wong Che Man, Eddy | 120 | – | – | 120 |
| | 360 | – | – | 360 |
| | 2,795 | 1,808 | 169 | 4,772 |

*Notes:*

(i) Ms. Ku Ling Wah, Phyllis resigned as executive director of the Company on 28 December 2012.

(ii) Mr. Ku Yin Tung resigned as non-executive director of the Company on 22 March 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

| | Year ended 31 March 2012 | | | |
|---|---|---|---|---|
| | Fees HK$'000 | Salaries and other benefits HK$'000 | Retirement benefit scheme contribution HK$'000 | Total HK$'000 |
| **Executive directors** | | | | |
| Ku Ngai Yung, Otis | 254 | 334 | 18 | 606 |
| Ku Ka Yung | 116 | 450 | 12 | 578 |
| Ku Ling Wah, Phyllis | 155 | 248 | 18 | 421 |
| Tsang Wing Leung, Jimson | 556 | 314 | 33 | 903 |
| Chan Chi Sun | 642 | 361 | 37 | 1,040 |
| Ma Sau Ching | 710 | 477 | 41 | 1,228 |
| | 2,433 | 2,184 | 159 | 4,776 |
| **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 |
| | 2,991 | 2,184 | 159 | 5,334 |

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

No directors waived any emoluments in both years.

## 12. EMPLOYEES' EMOLUMENTS

The five individuals with the highest emoluments in the Group included three (2012: three) directors of the Company whose emoluments are set out in note 11. The emoluments of the remaining two (2012: two) individuals were as follows:

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Salaries and other benefits | **2,100** | 2,364 |
| Retirement benefit scheme contribution | **29** | 24 |
| | **2,129** | 2,388 |

## 12. EMPLOYEES' EMOLUMENTS (continued)

Their emoluments were within the following band:

| | 2013 Number of employees | 2012 Number of employees |
|---|---|---|
| Nil to HK$1,000,000 | **1** | 1 |
| HK$1,000,001 to HK$1,500,000 | **1** | – |
| HK$1,500,001 to HK$2,000,000 | **–** | 1 |

During the years ended 31 March 2013 and 2012, 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

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Dividends recognised as distribution during the year: | | |
| Final, paid – HK10.0 cents per share for 2012 (2012: HK10.0 cents per share for 2011) | **26,278** | 26,278 |
| Special final, paid – HK3.0 cents per share for 2012 (2012: HK3.0 cents per share for 2011) | **7,883** | 7,883 |
| Interim, paid – HK4.5 cents per share for 2013 (2012: HK4.5 cents per share for 2012) | **11,825** | 11,825 |
| Special interim, paid – HK1.0 cent per share for 2013 (2012: HK2.8 cents per share for 2012) | **2,628** | 7,358 |
| | **48,614** | 53,344 |

A final dividend of HK10.0 cents (2012: HK10.0 cents) per share in total of HK$26,278,000 (2012: HK$26,278,000) and a special final dividend of HK1.0 cent (2012: HK3.0 cents) per share in total of HK$2,628,000 (2012: HK$7,883,000) in respect of the year ended 31 March 2013 have been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 14. EARNINGS PER SHARE

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

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purposes of basic earnings per share | **53,045** | 83,359 |
| **Number of shares** | | |
| Number of ordinary shares for the purposes of basic earnings per share | **262,778,286** | 262,778,286 |

Diluted earnings per share is not presented for the year ended 31 March 2013 and 2012 as there was no potential ordinary share outstanding during both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings in Hong Kong under medium-term leases HK$'000 | Buildings in the PRC under medium-term leases HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Properties under construction HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **COST OR VALUATION** | | | | | | | | |
| At 1 April 2011 | 14,500 | 80,197 | 145,113 | 332,540 | 106,839 | 7,264 | 17,357 | 703,810 |
| Additions | – | – | 12,844 | 17,845 | 4,754 | 1,044 | 8,291 | 44,778 |
| Surplus/adjustment on revaluation | 2,500 | (1,888) | – | – | – | – | – | 612 |
| Transfers | – | – | 3,399 | 6,577 | 487 | – | (10,463) | – |
| Disposals | – | – | – | – | – | (510) | – | (510) |
| At 31 March 2012 | 17,000 | 78,309 | 161,356 | 356,962 | 112,080 | 7,798 | 15,185 | 748,690 |
| Additions | – | – | 14,667 | 21,605 | 8,324 | 1,372 | 11,486 | 57,454 |
| Surplus/adjustment on revaluation | 10,000 | (1,875) | – | – | – | – | – | 8,125 |
| Transfers | – | – | 2,669 | 7,450 | 372 | – | (10,491) | – |
| Disposals | – | – | – | (8,427) | – | (548) | – | (8,975) |
| At 31 March 2013 | 27,000 | 76,434 | 178,692 | 377,590 | 120,776 | 8,622 | 16,180 | 805,294 |
| Comprising: | | | | | | | | |
| At cost | – | – | 178,692 | 377,590 | 120,776 | 8,622 | 16,180 | 701,860 |
| At valuation – 2013 | 27,000 | 76,434 | – | – | – | – | – | 103,434 |
| | 27,000 | 76,434 | 178,692 | 377,590 | 120,776 | 8,622 | 16,180 | 805,294 |
| **DEPRECIATION** | | | | | | | | |
| At 1 April 2011 | – | – | 85,999 | 232,472 | 82,923 | 5,354 | – | 406,748 |
| Provided for the year | 290 | 1,888 | 18,582 | 26,652 | 8,185 | 774 | – | 56,371 |
| Eliminated on revaluation | (290) | (1,888) | – | – | – | – | – | (2,178) |
| Eliminated on disposals | – | – | – | – | – | (510) | – | (510) |
| At 31 March 2012 | – | – | 104,581 | 259,124 | 91,108 | 5,618 | – | 460,431 |
| Provided for the year | 340 | 1,875 | 16,901 | 25,394 | 7,956 | 960 | – | 53,426 |
| Eliminated on revaluation | (340) | (1,875) | – | – | – | – | – | (2,215) |
| Eliminated on disposals | – | – | – | (8,420) | – | (548) | – | (8,968) |
| At 31 March 2013 | – | – | 121,482 | 276,098 | 99,064 | 6,030 | – | 502,674 |
| **CARRYING VALUES** | | | | | | | | |
| At 31 March 2013 | 27,000 | 76,434 | 57,210 | 101,492 | 21,712 | 2,592 | 16,180 | 302,620 |
| At 31 March 2012 | 17,000 | 78,309 | 56,775 | 97,838 | 20,972 | 2,180 | 15,185 | 288,259 |

## 15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

The fair values of the Group's leasehold land and buildings located in Hong Kong and buildings located in the PRC at 31 March 2013 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. BMI Appraisals Limited is a member of the Hong Kong Institute of Surveyors. The valuation of the leasehold land and buildings located in Hong Kong was arrived at by reference to market evidence of recent transaction prices for similar properties. The valuation of the buildings in the PRC was arrived at depreciated replacement cost basis, which requires an estimate of the new replacement cost of the buildings, from which deductions are then made to allow for certain factors such as the age, condition, economic or functional obsolescence and the environment.

During the year ended 31 March 2013, the total surplus on revaluation of HK$10,340,000 (2012: HK$2,790,000) has been credited to the property revaluation reserve in equity.

If the leasehold land and buildings located in Hong Kong and the PRC had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of approximately HK$5,563,000 (2012: HK$5,723,000) for land and buildings located in Hong Kong and HK$76,434,000 (2012: HK$78,309,000) for buildings located in the PRC.

## 16. PREPAID LEASE PAYMENTS

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

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Non-current asset | **3,496** | 3,588 |
| Current asset | **91** | 91 |
| | **3,587** | 3,679 |

## 17. INVENTORIES

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Raw materials | **57,187** | 59,117 |
| Work in progress | **92,483** | 84,182 |
| Finished goods | **33,507** | 18,615 |
| | **183,177** | 161,914 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 18. TRADE AND OTHER RECEIVABLES

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

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Trade receivables | | |
| Current | 272,055 | 257,841 |
| Overdue up to 90 days | 21,970 | 26,385 |
| Overdue more than 90 days | 9,945 | 2,645 |
| | 303,970 | 286,871 |
| Prepayments | 4,630 | 3,272 |
| Deposits | 6,635 | 3,435 |
| Other receivables | 5,121 | 958 |
| Trade and other receivables | 320,356 | 294,536 |

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

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

Included in the Group's trade receivables balance are receivables with a carrying amount of HK$31,915,000 (2012: HK$29,030,000) which are past due at the reporting date for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

### Movement in the allowance for doubtful debts

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| At beginning of the year | – | – |
| Impairment losses recognised on trade receivables | 3,712 | 52 |
| Amounts written off as uncollectible | – | (52) |
| At end of the year | 3,712 | – |

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

## 19. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments represent the foreign currency forward contracts. The Group has entered into eleven (2012: nil) USD/RMB forward contracts in which the Group is able to sell USD/buy RMB at fixed exchange rates. Major terms of foreign currency forward contracts are as below:

| Aggregate notional amount | Maturity | Forward exchange rates |
|---|---|---|
| **As at 31 March 2013** | | |
| US$12,900,000 | From April 2013 to August 2013 | Sell USD/buy RMB at 6.2177 to 6.2762 |

At the end of the reporting period, the fair values of the above forward contracts were calculated using discounted cash flow analysis based on forward foreign exchange rate.

## 20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits that are interest-bearing at market interest rates ranging from 0.01% to 3.10% (2012: 0.01% to 1.90%) per annum and have maturity of three months or less.

## 21. TRADE AND OTHER PAYABLES

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

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Trade payables | | |
| Current and overdue up to 90 days | **140,940** | 118,386 |
| Overdue more than 90 days | **5,209** | 2,359 |
| | **146,149** | 120,745 |
| Accruals | **66,015** | 55,793 |
| Other payables | **7,629** | 7,582 |
| Trade and other payables | **219,793** | 184,120 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 22. SHARE CAPITAL

| | Number of ordinary shares | Nominal amount HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.10 each | | |
| **Authorised:** | | |
| At 1 April 2011, 31 March 2012 and 31 March 2013 | 500,000,000 | 50,000 |
| **Issued and fully paid:** | | |
| At 1 April 2011, 31 March 2012 and 31 March 2013 | 262,778,286 | 26,278 |

## 23. SHARE OPTIONS

Pursuant to a resolution passed on 6 September 2004, a share option scheme of the Company (the " 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.

The purpose of the Share Option Scheme is to attract and retain high calibre employees, and to motivate them towards higher levels of performance. Under the 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 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 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 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 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 Share Option Scheme since its adoption.

## 24. DEFERRED TAX LIABILITIES

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

| | Accelerated tax depreciation HK$'000 | Revaluation of properties HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 April 2011 | 1,945 | 1,306 | 3,251 |
| Charge to equity | – | 459 | 459 |
| Credit to profit or loss | (1,213) | – | (1,213) |
| At 31 March 2012 | 732 | 1,765 | 2,497 |
| Charge to equity | – | 1,706 | 1,706 |
| Credit to profit or loss | (724) | – | (724) |
| At 31 March 2013 | 8 | 3,471 | 3,479 |

At 31 March 2013, the Group has unused tax losses of HK$10,672,000 (2012: HK$7,116,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The Hong Kong tax losses HK$5,473,000 (2012: HK$1,849,000) may be carried forward indefinitely and the remaining PRC tax losses HK$5,199,000 (2012: HK$5,267,000) will expire in various dates in the next five years.

Under the EIT Law of the PRC, 10% withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards to non-PRC resident investors of the companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to such undistributed profits of the PRC subsidiaries amounting to approximately HK$17,910,000 (2012: HK$3,322,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 25. OPERATING LEASES

The Group made minimum lease payments of approximately HK$12,766,000 (2012: HK$9,141,000) under operating leases during the year in respect of premises.

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

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Within one year | **12,087** | 6,004 |
| In the second to fifth year inclusive | **34,025** | 15,115 |
| Over five years | **5,091** | 4,083 |
| | **51,203** | 25,202 |

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 26. CAPITAL AND OTHER COMMITMENTS

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: | | |
| – Acquisition of plant and machinery | **8,572** | 3,377 |
| – Factory under construction or renovation | **2,774** | 3,599 |
| | **11,346** | 6,976 |
| Commitments contracted for but not provided in the consolidated financial statements in respect of license fee for brandnames: | | |
| Within one year | **9,323** | 11,279 |
| In the second to fifth year inclusive | **10,794** | 12,343 |
| | **20,117** | 23,622 |
| | **31,463** | 30,598 |

## 27. RETIREMENT BENEFITS SCHEME

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

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

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

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

The total cost charged to profit or loss of HK$23,541,000 (2012: HK$22,830,000) represents contributions paid and payable to these schemes by the Group in respect of the current financial year.

## 28. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

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

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

## 29. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

| | *Note* | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|---|
| Investment in a subsidiary | | **111,968** | 111,968 |
| Amounts due from subsidiaries | | **263,444** | 242,663 |
| Other assets | | **40,295** | 35,639 |
| Amounts due to subsidiaries | | **(163,000)** | (162,138) |
| Other liabilities | | **(330)** | (330) |
| | | **252,377** | 227,802 |
| Share capital | | **26,278** | 26,278 |
| Share premium and reserve | *(i)* | **226,099** | 201,524 |
| | | **252,377** | 227,802 |

*Note:*

(i) Share premium and reserve

| | **Share premium** HK$'000 | **Retained profits** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| At 1 April 2011 | 78,945 | 113,561 | 192,506 |
| Profit for the year | – | 62,362 | 62,362 |
| Dividends recognised as distribution *(note 13)* | – | (53,344) | (53,344) |
| At 31 March 2012 | 78,945 | 122,579 | 201,524 |
| Profit for the year | – | 73,189 | 73,189 |
| Dividends recognised as distribution *(note 13)* | – | (48,614) | (48,614) |
| At 31 March 2013 | 78,945 | 147,154 | 226,099 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries of the Company at 31 March 2013 and 2012 are as follows:

| Name of subsidiary | Place of incorporation/ establishment and operation | Issued and fully paid ordinary share capital/ registered capital | Proportion of nominal value of issued share capital/ registered capital held by the Company | Principal activities |
|---|---|---|---|---|
| Sun Hing Optical International Group Limited *(note a)* | BVI | HK$106 | 100% | Investment holding |
| 101 (Hong Kong) Limited | Hong Kong | HK$4 | 100% | Sales of optical frames, sunglasses and related products |
| 101 Studio Limited | Hong Kong | HK$9 | 100% | Sales of optical frames, sunglasses and related products |
| New Prosperity Optical Manufactory Limited | BVI/PRC | US$1 | 100% | Property holding |
| Sun Hing Optical Manufactory Limited | Hong Kong | HK$2 | 100% | Manufacturing and sales of optical frames, sunglasses and related products |
| Yorkshire Holdings Limited | Hong Kong | HK$10 | 100% | Property holding |
| 東莞恒生眼鏡製造有限公司 *(Note b)* | PRC | HK$2,500,000 | 100% | Manufacturing of optical frames, sunglasses and related products |
| 紫金縣新基眼鏡五金配件有限公司 *(Note b)* | PRC | HK$100,200,000 | 100% | Manufacturing of optical frames, sunglasses and related products |
| 東莞新溢眼鏡製造有限公司 *(Note b)* | PRC | US$27,000,000 (2012: US$24,000,000) | 100% | Manufacturing of optical frames, sunglasses and related products |
| 深圳佰萊德貿易有限公司 *(Note b)* | PRC | US$1,000,000 | 100% | Sales of optical frames, sunglasses and related products |

*Notes:*

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

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

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

None of the subsidiaries had issued any debt securities subsisting at 31 March 2013 or at any time during the year.

# FINANCIAL SUMMARY

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | **2013** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Revenue | 1,063,178 | 871,823 | 1,125,684 | 1,155,145 | **1,164,777** |
| Profit before tax | 125,049 | 91,836 | 109,770 | 93,638 | **60,628** |
| Income tax expense | (10,014) | (7,472) | (11,527) | (10,279) | **(7,583)** |
| Profit for the year attributable to owners of the Company | 115,035 | 84,364 | 98,243 | 83,359 | **53,045** |

## ASSETS AND LIABILITIES

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | **2013** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Total assets | 944,389 | 1,010,122 | 1,102,216 | 1,117,451 | **1,167,675** |
| Total liabilities | (139,993) | (165,511) | (206,476) | (189,365) | **(226,283)** |
| Shareholders' equity | 804,396 | 844,611 | 895,740 | 928,086 | **941,392** |

# 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 (Resigned on 28 December 2012)
Chan Chi Sun
Ma Sau Ching

### Non-executive Director

Ku Yiu Tung (Resigned on 22 March 2013)

### Independent Non-executive Directors

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

## COMPANY SECRETARY

Lee Kar Lun, Clarence (Appointed on 26 October 2012)
Yung Yun Sang, Simon (Resigned on 26 October 2012)

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISER IN HONG KONG

King & Wood Mallesons

## LEGAL ADVISER ON BERMUDA LAW

Conyers Dill & Pearman

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1001C, 10th Floor, Sunbeam Centre
27 Shing Yip Street, Kwun Tong
Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR

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

## HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
18th Floor
Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

## PRINCIPAL BANKERS

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

## WEBSITE

www.sunhingoptical.com

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