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

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(Incorporated in Bermuda with limited liability)

(Stock Code: 125)

RESULTS ANNOUNCEMENT
FINANCIAL YEAR ENDED 31 MARCH 2016

The board (the "Board") of directors (the "Directors") of Sun Hing Vision Group Holdings Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016.

RESULTS

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

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	NOTES	**2016** **HK$'000**	2015 HK$'000 (restated)
Revenue	*3*	**1,077,641**	1,213,513
Cost of sales		**(843,705)**	(974,898)
Gross profit		**233,936**	238,615
Other income, gains and losses	*4*	**(3,064)**	4,427
Selling and distribution costs		**(28,490)**	(23,534)
Administrative expenses		**(138,966)**	(136,511)
Profit before tax		**63,416**	82,997
Income tax expense	*5*	**(8,851)**	(16,190)
Profit for the year	*6*	**54,565**	66,807
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(1,928)**	178
Total comprehensive income for the year		**52,637**	66,985
Profit (loss) for the year attributable to:			
Owners of the Company		**55,440**	67,007
Non-controlling interests		**(875)**	(200)
		54,565	66,807
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**53,546**	67,172
Non-controlling interests		**(909)**	(187)
		52,637	66,985
Earnings per share	*8*		
Basic		**HK21 cents**	HK25 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2016

	NOTES	31 March 2016 HK$'000	31 March 2015 HK$'000 (restated)	1 April 2014 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**293,586**	274,547	290,581
Prepaid lease payments		**3,223**	3,314	3,405
Deposit paid for acquisition of property, plant and equipment		**2,393**	1,876	1,860
Deferred tax assets		**555**	536	339
		299,757	280,273	296,185
CURRENT ASSETS				
Inventories		**132,569**	153,450	174,899
Trade and other receivables	*9*	**331,933**	325,182	329,625
Prepaid lease payments		**91**	91	91
Derivative financial instruments		**194**	747	–
Tax recoverable		**75**	59	1,384
Pledged bank deposits		**–**	–	936
Bank balances and cash		**360,585**	379,142	335,331
		825,447	858,671	842,266
CURRENT LIABILITIES				
Trade and other payables	*10*	**189,693**	189,068	207,895
Derivative financial instruments		**–**	53	5,506
Tax payable		**9,863**	12,424	744
		199,556	201,545	214,145
NET CURRENT ASSETS		**625,891**	657,126	628,121
		925,648	937,399	924,306
CAPITAL AND RESERVES				
Share capital		**26,278**	26,278	26,278
Share premium and reserves		**898,484**	909,318	897,330
Equity attributable to owners of the Company		**924,762**	935,596	923,608
Non-controlling interests		**203**	1,112	–
		924,965	936,708	923,608
NON-CURRENT LIABILITY				
Deferred tax liabilities		**683**	691	698
		925,648	937,399	924,306

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

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

Basis of consolidation

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

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

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

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

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

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

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

2A. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

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

New and revised HKFRSs issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2016.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2019.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

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

HKFRS 15 Revenue From Contracts With Customers

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

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

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

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

HKFRS 16 – Leases

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

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

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

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

2B. CHANGE IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

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

Geographical information

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

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

4. OTHER INCOME, GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**1,498**	2,870
Impairment losses recognised on trade receivables	**(551)**	(3,304)
Impairment losses reversed on trade receivables	**101**	3,925
Bad debts directly written off	**–**	(10)
Recovery of bad debts written off	**90**	724
Net foreign exchange losses	**(3,631)**	(7,395)
(Loss) gain on disposals of property, plant and equipment	**(139)**	100
Fair value changes on derivative financial instruments	**(500)**	6,200
Gain on disposal of subsidiaries	**–**	1,071
Others	**68**	246
	(3.064)	4,427

5. INCOME TAX EXPENSE

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

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

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

6. PROFIT FOR THE YEAR

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

7. DIVIDENDS

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

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

8. EARNINGS PER SHARE

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

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

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

9. TRADE AND OTHER RECEIVABLES

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

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

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The global economy was highly volatile during the year under review. The strength of the U.S. dollar against Euro and other Asian currencies significantly undermined the purchasing power of our customers in Europe and Asia, which in turn unfavorably affected the demand for the Group's eyewear products. Given such a backdrop, the Group's consolidated turnover for the year dropped by 11.20% to HK$1,078 million (2015: HK$1,214 million). Meanwhile, the operating environment in China continued to be tough. In May 2015, the Chinese government increased the statutory minimum wages in Dongguan and Heyuan city, where the Group's production bases are located, by 15% and 20% respectively. This substantial increase in labour costs imposed severe pressure on the Group's operation. Nevertheless, part of such negative cost impact was offset by the Group's measures implemented in the past period to enhance manufacturing efficiency and improve product mix. In addition, the depreciation of Renminbi in the middle of 15/16 fiscal year also helped to alleviate part of the Group's cost pressure. As a result, the Group was able to manage its gross profit margin at 21.71% (2015: 19.66%). However, due to the diseconomies of scale brought about by the decrease in business volume and also the generally higher cost environment, the Group's net profit margin decreased from 5.51% to 5.06%.

The ODM Business

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

The Branded Eyewear Distribution Business

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

PROSPECTS

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

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

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

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

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance with a view to enhance the management of the Company as well as to preserve the interests of the shareholders as a whole. The Board has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules. During the year ended 31 March 2016, the Company has complied with all applicable code provisions in the CG Code which were effective during the period between 1 April 2015 to 31 March 2016, except for the deviations from code A.2.1 of the CG Code as mentioned below:

Code A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Ku Ngai Yung, Otis has been assuming the roles of both the chairman and chief executive officer of the Company since its establishment. 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. 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.

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. The Group's consolidated financial statements for the year ended 31 March 2016 have been reviewed by the Audit Committee and audited by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu.

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.

NOMINATION COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 as its own code of conduct regarding directors' securities transactions (the "Code"). Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Code throughout the year ended 31 March 2016.

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

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is published on the websites of the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The annual report for the year ended 31 March 2016 will be dispatched to the shareholders of the Company and published on the websites of the Company and the Stock Exchange in due course.

APPRECIATION

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

Ku Ngai Yung, Otis
Chairman

Hong Kong, 24 June 2016

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung, Mr. Chan Chi Sun and Ms. Ma Sau Ching, and three independent non-executive directors, namely Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy.