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 2006.

RESULTS

For the year ended 31 March 2006, turnover of the Group increased by 12% to HK$657 million (2005: HK$585 million), and the net profit of the Group increased by 3% to HK$73 million (2005: HK$71 million). Basic earnings per share remained the same at HK28 cents (2005: HK28 cents) due to the increase in the number of outstanding shares as a result of the scrip dividends paid during the year.

DIVIDENDS

The Directors have resolved to recommend at the forthcoming annual general meeting a final dividend of HK8.1 cents per share for the year ended 31 March 2006, to the shareholders whose names appear in the register of members of the Company at the close of business on 28 August 2006. This final dividend, together with the interim and special dividend of HK5.7 cents per share already paid, will make a total distribution of HK13.8 cents per share for the full year. The final dividend is expected to be paid on or about 29 September 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 August 2006 to 28 August 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 22 August 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the demand for the Group's products remained strong for both of its original design manufacturing (ODM) business as well as its branded eyewear distribution business. The ODM business continued to be the core contributor of the Group's business. The ODM business and the branded eyewear distribution business accounted for 87% and 13% of the Group's turnover respectively.

Despite the satisfactory sales performance, the year under review was another difficult year in which the Group experienced significant production cost pressure. The Group's profitability was adversely affected by higher raw material costs, energy prices and the surge in wage levels during the year under review. The gross profit margin percentage decreased by 1 percentage point to 29% (2005: 30%) during the year under review. However, it should be noted that the pace of drop in gross margin percentage has decreased from approximately 7 percentage points in 2005 to only 1 percentage point for the year under review, due to the positive effects from the on-going improvements the Group made in enhancing operational efficiency.

THE ODM BUSINESS

Turnover to the Group's ODM customers increased by 10% to HK$571 million. Europe and the United States remained to be the major markets of the Group's products and accounted for 58% and 38% (2005: 54% and 43%) of the Group's turnover of its ODM business. The Group's ODM turnover in Europe increased satisfactorily by 19%, while ODM turnover in the United States remained relatively steady. The Group continued to benefit from the increasing demand for high-quality frames from its European customers who were gradually reducing their production scales due to high operation costs there. The Group's American customers were still cautious in planning their inventory and placing new orders as a result of uncertainty brought about by the recent consolidation of the American eyewear industry.

During the year under review, the eyewear fashion was still in favour of plastic products, and the Group's sales of metal and plastic frames increased by 1% and 30% respectively. Sales of metal frames, plastic frames and other spare parts accounted for 60%, 38% and 2% respectively of the Group's ODM turnover during the year under review (2005: 66%, 32% and 2%).

THE BRANDED EYEWEAR DISTRIBUTION BUSINESS

Turnover contributed by the Group's branded eyewear distribution business increased sharply by 31% to HK$87 million. The Group's Levi's® eyewear collection continued to benefit from its increasing popularity inside Asia and the much expanded coverage of the Levi's® eyewear out of Asia, including new areas like Australia, South America and South Africa. The successful launch of eyewear collections for the new licensed brand "New Balance" and our in-house fashion brand "PUBLIC+" also contributed to the good growth during the year under review. Asia continued to be the major market of the Group's branded eyewear distribution business and accounted for 69% of the Group's distribution turnover (2005: 71%).

LIQUIDITY AND CAPITAL RESOURCES

During the year under review, the Group's balance sheet remained solid and strong. As at 31 March 2006, net current assets and current ratio of the Group were approximately HK$333 million and 3.2:1 respectively. As at 31 March 2006, the Group did not have any bank borrowings and had time deposits as well as bank and cash balance amounting to HK$132 million. The total shareholders' equity of the Group increased to HK$558 million as at 31 March 2006 from HK$509 million at 31 March 2005. The Directors are confident that the financial position of the Group will remain strong, and the Group has sufficient liquidity and financial resources to meet its present commitments and future expansion plans.

Given the Group's strong financial backing, during the year under review the Group's dividend payout ratio as a percentage of its earnings remained at a relatively high level at 50% (including the interim special dividend) and 44% (excluding the interim special dividend). The Directors will continue to monitor the dividend policy closely to ensure that the optimal balance can be achieved between the reinvestment and distribution of earnings in the Group and to the shareholders respectively.

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

Details of contingent liabilities are set out in note 29 to the financial statements.

HUMAN RESOURCES

The Group had a workforce of over 9,000 people as at 31 March 2006. The Group remunerates its employees based on their performance, work experience and the prevailing market situation. Performance related bonuses are granted on a discretionary basis based on individual performance and overall operating costs of the Group. Other employee benefits include medical insurance scheme coverage, mandatory provident fund scheme, subsidised or free training programs and participation in the Company's share option scheme.

PROSPECTS

It is expected that the Group will continue to face production cost pressure in the next fiscal year. Raw material prices, wage levels and energy prices are expected to stay at high levels or to move even further up. Despite these challenges, the Directors are confident that the Group will be able to alleviate such negative factors over time by gradually adjusting the selling prices of the Group's products, phasing out of low profit margin products and by further improving its operational efficiency.

The Directors believe that the demand for the Group's ODM products will be strong and its growth pace will be faster for the next fiscal year. The change from strong preference towards plastic products to a more balanced product mix between metal and plastic products in the eyewear fashion trend will definitely benefit the Group, of which the market and production positions for metal eyewear are strong. In order to accommodate the strong market demand for its products, the Group will continue to upgrade its production facilities and to expand production capacity.

It is anticipated that the performance of the branded eyewear distribution business will remain satisfactory in the next fiscal year. The Directors are pleased to announce that the Group has obtained the exclusive right to distribute Levi's® eyewear in the United States, and the coverage of Levi's® eyewear collection is expected to be even further expanded geographically. Market feedback for the Group's first and only in-house fashion eyewear brand at the moment "PUBLIC+" has been very encouraging. It is clear that the branded eyewear distribution business will be an important driver to the Group's overall growth. In the meantime, the Group is still identifying other licensing opportunities for prominent brand names to enrich its brand portfolio.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and financial statements of the Group for the year ended 31 March 2006. The members of the Audit Committee comprises the three independent non-executive directors of the Company, who are Mr. Lo Wa Kei, Roy (Chairman), Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy.

REMUNERATION COMMITTEE

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

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

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

APPRECIATION

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

Ku Ngai Yung, Otis
Chairman

Ku Ka Yung
Deputy Chairman

Hong Kong, 14 July 2006