

SUN HING VISION GROUP

INTERIM REPORT 2010/11 二零一零年至二零一一年中期報告 STOCK CODE 股份代號 : 125
SUN HING VISION GROUP HOLDINGS LIMITED 新興光學集團控股有限公司



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CORPORATE INFORMATION

Board of Directors Executive Directors

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

Non-executive Director

Ku Yiu Tung

Independent Non-executive Directors

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

Company Secretary

Yung Yun Sang, Simon

Auditor

Deloitte Touche Tohmatsu

Legal Adviser in Hong Kong

King & Wood

Legal Adviser on Bermuda Law

Conyers Dill & Pearman

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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

Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the global economy continued its gradual recovery and so did the market demand for eyewear products. For the six months ended 30 September 2010, the turnover and net profit of the Group increased by 34% and 28% to HK\$541 million (2009: HK\$403 million) and HK\$49 million (2009: HK\$38 million) respectively. Basic earnings per share also increased by 27% to HK19 cents (2009: HK15 cents).

As a company with excellent design capability, brand management strength, efficient operations and a strong financial position, the Group has been able to capitalize on the business opportunities offered by the recovery of the global economy. The Group's turnover for both of its original design manufacturing ("ODM") business and its branded eyewear distribution business increased satisfactorily during the period under review, and accounted for about 89% and 11% (2009: 88% and 12%) of the Group's turnover respectively.

However, rising production costs in China undermined the overall profitability of the Group. During the period under review, the increase in minimum wages in Guangdong province, China, the renewed appreciation of Renminbi as well as the gradual increase in raw material prices imposed substantial cost pressure on our operations. As a result, the gross profit ratio decreased from 26.71% to 22.86%. Meanwhile, certain fixed operating costs increased in a relatively slower pace than the growth of turnover, and that helped to temporarily relieve part of the cost pressure on the Group's net profit margin ratio. As a result, the net profit margin decreased by a smaller extent to 9.03% (2009: 9.51%).

The ODM Business

During the period under review, the Group's ODM turnover increased by 36% to HK\$480 million (2009: HK\$354 million). Europe and United States continued to be two major markets of the Group's ODM business, which accounted for approximately 55% and 42% of the Group's total ODM turnover. In response to the recovery of demand from end consumers in these two regions, the Group's major customers reviewed their inventory levels and adjusted their purchases with the Group accordingly. The Group's ODM turnover to Europe and the United States increased by 35% and 39% to HK\$265 million (2009: HK\$196 million) and HK\$199 million (2009: HK\$143 million) respectively for the six months ended 30 September 2010. In terms of product mix, sales of metal frames, plastic frames and others during the review period accounted for 59%, 40% and 1% (2009: 66%, 32% and 2%) of the Group's ODM turnover respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Branded Eyewear Distribution Business

Turnover contributed by the Group's branded eyewear distribution business increased by 27% to HK\$62 million (2009: HK\$49 million). This was mainly driven by the remarkable performance of the Asian market. Asia was the most significant market of the Group's branded eyewear distribution business, which accounted for approximately 86% of the Group's total distribution turnover. During the period under review, the Group's distribution turnover to Asia increased by 39% to HK\$53 million (2009: HK\$38 million). That reflected the Group's overall strategy to focus its resources to develop the Asian market that would create larger value and bring higher return in the long run.

Liquidity and Capital Resources

The Group continued to maintain a strong liquidity position. It held a cash and bank balance of HK\$348 million as at 30 September 2010 and did not have any bank borrowings during the year. The strong liquidity position was the result of the Group's cautious plan in managing working capital and capital expenditure. In order to weather the volatile business environment, the Group will continue to adopt a prudent approach to manage its cash flows.

Given the Group's strong cash position, the Directors have again resolved to declare an interim special dividend of HK2.8 cents per share on the top of the interim dividend of HK4.5 cents per share for the six months ended 30 September 2010. The Directors will continue to monitor the dividend policy closely to ensure that an optimal balance can be achieved between the reinvestment in the Group and the distribution of earnings to the shareholders respectively.

As at 30 September 2010, the net current assets and current ratio of the Group were approximately HK\$571 million and 3.8:1 respectively. The total shareholders' equity of the Group increased to HK\$863 million as at 30 September 2010 from HK\$845 million as at 31 March 2010. The Group continued to exercise an effective control on debt collection and inventory management. Accordingly, debtor turnover period and inventory turnover period were shortened to 88 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 does not currently implement hedging for foreign exchange. However, the Group will closely monitor the foreign exchange exposures and will consider to hedge the significant foreign exchange exposure when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

The Group had a workforce of about 10,000 people as at 30 September 2010. 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, subsidised or free training programs and participation in the Company's share option scheme.

Charges on Group's Assets and Contingent Liabilities

As at 30 September 2010, there were no charges on the Group's assets or any significant contingent liabilities.

Capital Commitment

Details of the Group's capital commitment are set out in Note 12 to the consolidated financial statements.

Prospects

The global economy has been steadily recovering, but the Directors are still concerned about the sustainability of the recovery. First, the European sovereign debt crisis and the subsequent austerity measures to be implemented may affect future consumer spending. Second, the American economy is still plagued by high unemployment and low consumer confidence. All these factors create uncertainty on the momentum of economic recovery. Furthermore, it is expected that cost pressure on our manufacturing operations will continue to increase as a result of higher labor wages, increasing raw material prices and appreciation of Renminbi. The second round of quantitative easing by the Federal Reserve of the United States is also expected to generate more inflationary pressure on our cost side.

The Group will deal with these challenges proactively. Our manufacturing operations will be further streamlined to achieve cost savings and enhance overall efficiency. The Group will also continue to invest in carefully selected fixed assets with strategic values, in order to pave way for further automation of its production lines, improvement of product quality and manufacturing lead-time reduction. A strong liquidity position will be maintained so that the Group will be flexible enough to cope with any uncertainty ahead and to take advantage of any business opportunities emerging in the future.

The Group will continue to strengthen its brand portfolio by introducing well selected new brands for different customer segments and targeted price ranges. In the last financial year, the Group obtained the exclusive right to distribute eyewear for "Missoni" and "M Missoni" in Asia. The first collection of "Missoni" and "M Missoni" eyewear will be launched in the second half of this financial year, which is expected to further strengthen the Group's product profile in the Asian market. Taking this opportunity, the Directors are also pleased to announce that the Group has successfully obtained the worldwide exclusive distribution right for eyewear for "Pal Zileri", a renowned Italian brand for men's fashion. It is expected that the introduction of these two new brands will generate satisfactory returns for the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Certainly, the challenges ahead are stiff. However, leveraging on the Group's strong financial position and efficient operation as well as our core belief in quality and innovation, we are ready to take on these challenges and prepared for the goal to achieve sustainable business growth.

Corporate Governance

The Company is committed to maintain a high standard of corporate governance with a view to enhancing the management of the Company as well as to preserve the interests of the shareholders as a whole. The Board has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from code provision A.2.1 of the CG Code. This code provision 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 has been established by the Company to act in an advisory capacity and to make recommendations to the Board. The members of the audit committee comprise the three independent non-executive directors of the Company, 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 unaudited condensed consolidated financial statements for the six months ended 30 September 2010 have been reviewed by the audit committee together with the Company's external auditor Deloitte Touche Tohmatsu.

MANAGEMENT DISCUSSION AND ANALYSIS

Remuneration Committee

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

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 (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 six months ended 30 September 2010.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period 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 period. We would also like to express our sincere appreciation to our shareholders, staffs, suppliers and bankers for their efforts and commitments.

On behalf of the Board
Ku Ngai Yung, Otis
Chairman

Hong Kong, 26 November 2010

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



TO THE BOARD OF DIRECTORS 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)

Introduction

We have reviewed the interim financial information set out on pages 9 to 20, which comprises the condensed consolidated statement of financial position of Sun Hing Vision Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 November 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2010

		Six months ended	
	NOTES	30.9.2010 HK\$'000 (unaudited)	30.9.2009 HK\$'000 (unaudited)
Revenue		541,390	402,585
Cost of sales		(417,641)	(295,074)
Gross profit		123,749	107,511
Bank interest income		887	1,118
Other income		220	252
Selling and distribution costs		(9,850)	(7,614)
Administrative expenses		(61,071)	(59,558)
Profit before taxation		53,935	41,709
Income tax expense	4	(5,071)	(3,441)
Profit and total comprehensive income for the period, attributable to the owners of the Company	5	48,864	38,268
Earnings per share			
Basic	7	HK19 cents	HK15 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2010

	NOTES	30.9.2010 HK\$'000 (unaudited)	31.3.2010 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	292,405	265,220
Prepaid lease payments		3,726	3,771
Deposit paid for acquisition of property, plant and equipment		–	2,332
		296,131	271,323
CURRENT ASSETS			
Inventories		161,198	140,374
Trade and other receivables	9	268,291	248,657
Prepaid lease payments		91	91
Bank balances and cash		347,792	349,677
		777,372	738,799
CURRENT LIABILITIES			
Trade and other payables	10	203,301	161,026
Taxation payable		2,941	479
		206,242	161,505
NET CURRENT ASSETS			
		571,130	577,294
		867,261	848,617
CAPITAL AND RESERVES			
Share capital	11	26,278	26,278
Reserves		836,977	818,333
		863,255	844,611
NON-CURRENT LIABILITY			
Deferred taxation		4,006	4,006
		867,261	848,617

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2010

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2009 (audited)	26,278	78,945	18,644	1,904	536	678,089	804,396
Profit for the period	-	-	-	-	-	38,268	38,268
Total comprehensive income for the period	-	-	-	-	-	38,268	38,268
Release upon lapse of vested option	-	-	-	-	(536)	536	-
Dividends recognised as distribution	-	-	-	-	-	(30,220)	(30,220)
At 30 September 2009 (unaudited)	26,278	78,945	18,644	1,904	-	686,673	812,444
Profit for the period	-	-	-	-	-	46,096	46,096
Surplus on revaluation of leasehold land and buildings	-	-	-	2,200	-	-	2,200
Deferred tax charge arising on revaluation of leasehold land and buildings	-	-	-	(363)	-	-	(363)
Total comprehensive income for the period	-	-	-	1,837	-	46,096	47,933
Dividends recognised as distribution	-	-	-	-	-	(15,766)	(15,766)
At 31 March 2010 (audited)	26,278	78,945	18,644	3,741	-	717,003	844,611
Profit for the period	-	-	-	-	-	48,864	48,864
Total comprehensive income for the period	-	-	-	-	-	48,864	48,864
Dividends recognised as distribution (note 6)	-	-	-	-	-	(30,220)	(30,220)
At 30 September 2010 (unaudited)	26,278	78,945	18,644	3,741	-	735,647	863,255

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2010

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	79,305	117,593
Purchase of property, plant and equipment	(53,730)	(17,232)
Decrease in time deposit	–	11,700
Others	2,760	–
Net cash used in investing activities	(50,970)	(5,532)
Net cash used in financing activity – dividends paid	(30,220)	(30,220)
Net (decrease) increase in cash and cash equivalents	(1,885)	81,841
Cash and cash equivalents at the beginning of period	349,677	262,285
Cash and cash equivalents at the end of period, representing bank balances and cash	347,792	344,126

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2010

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain leasehold land and buildings, which are measured at revalued amounts.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments) HKAS 27 (Revised)	Improvements to HKFRSs 2009 Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2010

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Right Issues ⁶
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 July 2011

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

⁶ Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2010

3. Segmental Information

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Company's executive directors, in order to allocate resources to the segments and to assess their performance.

Whilst the executive directors regularly review 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 and 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 under HKFRS 8, which is manufacturing and trading of eyewear products. Financial information regarding this segment can be made reference to the condensed consolidated statement of comprehensive income.

4. Income Tax Expense

	Six months ended	
	30.9.2010 HK\$'000	30.9.2009 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	4,921	3,441
People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	150	–
	5,071	3,441

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

A portion of the Group's profits neither arises in, nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Further, in the opinion of the directors, that portion of the Group's profit is not subject to taxation in any other jurisdictions in which the Group operates for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2010

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries are exempted from PRC EIT for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

5. Profit and Total Comprehensive Income for the Period Attributable to the Owners of the Company

	Six months ended	
	30.9.2010 HK\$'000	30.9.2009 HK\$'000
Profit and total comprehensive income for the period attributable to the owners of the Company has been arrived at after charging:		
Depreciation of property, plant and equipment	25,595	25,668
Employees benefit expenses	162,775	108,033
Release of prepaid lease payments	45	45

6. Dividends

On 17 September 2010, the final dividend in respect of the year ended 31 March 2010 of HK10 cents per share and a special dividend of HK1.5 cents per share amounting to approximately HK\$30,220,000 in total (six months ended 30 September 2009: final dividend in respect of the year ended 31 March 2009 of HK10 cents per share and a special dividend of HK1.5 cents per share amounting to approximately HK\$30,220,000 in total) was paid to shareholders.

Subsequent to 30 September 2010, the directors determined that an interim dividend of HK4.5 cents per share and a special dividend of HK2.8 cents per share in respect of the year ending 31 March 2011 (2009: an interim dividend of HK4.5 cents per share and a special dividend of HK1.5 cents per share in respect of the year ended 31 March 2010 amounting to approximately HK\$15,766,000 in total) will be paid to the shareholders of the Company whose names appear in the Register of Members on 23 December 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2010

7. Earnings Per Share

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

	Six months ended	
	30.9.2010 HK\$'000	30.9.2009 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	48,864	38,268
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	262,778,286	262,778,286

No diluted earning per share is presented because there were no potential ordinary shares in both periods.

8. Movements in Property, Plant and Equipment

During the period, the Group spent approximately HK\$53,730,000 (six months ended 30 September 2009: HK\$17,232,000) on additions to property, plant and equipment.

At 30 September 2010, the directors considered the carrying amounts of the Group's leasehold land and buildings, which are carried at revalued amounts, and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the reporting date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2010

9. Trade and other Receivables

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

	30.9.2010 HK\$'000	31.3.2010 HK\$'000
Trade receivables		
Current	233,446	210,115
Overdue up to 90 days	25,757	29,293
Overdue more than 90 days	1,468	1,695
	260,671	241,103
Other receivables	7,620	7,554
	268,291	248,657

10. Trade and other Payables

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

	30.9.2010 HK\$'000	31.3.2010 HK\$'000
Trade payables		
Current	126,296	87,690
Overdue up to 90 days	13,542	15,901
Overdue more than 90 days	4,387	5,293
	144,225	108,884
Other payables	59,076	52,142
	203,301	161,026

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2010

11. Share Capital

	Number of shares	Nominal amount HK\$'000
Ordinary shares of HK\$0.10 each		
Issued and fully paid:		
At 1 April 2010 and 30 September 2010	262,778,286	26,278

12. Capital and other Commitments

	30.9.2010 HK\$'000	31.3.2010 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– Acquisition of plant and machinery	4,445	5,903
– Factory under construction or renovation	3,169	10,204
	7,614	16,107
Commitments for license fee for brandnames contracted for but not provided in the consolidated financial statements	10,626	12,433
	18,240	28,540

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2010

13. Related Party Transactions Compensation of key management personnel

The remuneration of directors and other members of key management in respect of the period are as follows:

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
Short-term benefits	2,396	2,339

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

14. Share Options

On 6 September 2004, a share option scheme was adopted primarily for providing incentives to eligible employees. No share options were outstanding at both period ends.

OTHER INFORMATION

Interim and Special Dividends

The Directors have resolved to declare an interim dividend of HK4.5 cents per share and an interim special dividend of HK2.8 cents per share for the six months ended 30 September 2010 (2009: HK4.5 cents and HK1.5 cents). The interim dividend and interim special dividend will be payable on or about 18 January 2011 to the shareholders whose names appear on the register of members of the Company at the close of trading on 23 December 2010.

Closure of Register of Members

The register of members of the Company will be closed from 21 December 2010 to 23 December 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend and interim special dividend, all transfers 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 not later than 4:00 p.m. on 20 December 2010.

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 of Hong Kong Limited (the "Stock Exchange") in relation to share option schemes.

During the six months ended 30 September 2010 and as at 30 September 2010, there was no share 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.

OTHER INFORMATION

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 30 September 2010, 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 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)

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

Note: 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.

OTHER INFORMATION

2. Underlying Shares in the Company (Share Options)

As at 30 September 2010, no share options under the Old Share Option Scheme and the New Share Option Scheme were held by the Directors and chief executives of the Company.

Save as disclosed above, as at 30 September 2010, 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.

Substantial Shareholders

As at 30 September 2010, 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 interest 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)	21,102,000	8.03%
Preferable Situation Asset Limited (Note 5)	15,800,000	6.01%

OTHER INFORMATION

Notes:

1. As at 30 September 2010, 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 20 July 2010 (i.e. the date of the relevant events as set out in the individual substantial shareholder notice filed on 23 July 2010), of the 21,102,000 shares of the Company held by David Michael Webb, 16,939,000 shares of the Company were held through his wholly owned company, Preferable Situation Assets Limited, while 4,163,000 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 16,939,000 shares of the Company held by Preferable Situation Assets Limited under the SFO. (Please also see note 5 below)
5. As at 5 November 2009 (i.e. the date of the relevant event as set out in the corporate substantial shareholder notice filed on 9 November 2009), Preferable Situation Assets Limited, which is wholly owned by David Michael Webb, held 15,800,000 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 15,800,000 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 30 September 2010, 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.



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

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