

# LETTER TO SHAREHOLDERS

We are pleased to announce the results of the second full year of Sun Hing Vision Group Holdings Limited (the "Company") and its subsidiaries (the "Group") following our listing in May 1999. During the year under review, we continued to achieve record turnover and profit, as well as significantly expand our brand development business and worldwide distribution network.

## RESULTS

For the year ended March 31, 2001, the Group had record performance in terms of turnover and profit attributable to shareholders. The Group's consolidated turnover and profit attributable to shareholders increased by 57 per cent and 30 per cent to HK\$328 million and HK\$70 million respectively. This marks the sixth consecutive years of encouraging consecutive growth for turnover and profit for the Group since 1996.

## DIVIDENDS

The Directors have resolved to recommend a final dividend of 6.8 cents per share at the forthcoming annual general meeting to shareholders whose names appear on the register of members on August 27, 2001. This final dividend, together with the interim dividend of HK3.4 cents per share, represents a total dividend of HK10.2 cents per share (2000: HK6.2 cents) for the year, an increase of about 65% over last year. The final dividend is expected to be paid on or about September 28, 2001.

## CLOSURE OF REGISTER OF MEMBER

The register of members of the Company will be closed from August 22, 2001 to August 27, 2001, 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 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on August 21, 2001.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Business Review***

The Group's encouraging performance during the year under review was mainly due to the satisfactory performance of its original design manufacturing (ODM) business as well as the rapid expansion of its distribution business for licensed branded products. The ODM business continued to be the major contributor of the Group's business. The ODM business and the distribution business for licensed branded products accounted for 90% and 10% of the Group's turnover respectively.

However, the contribution from the increase in turnover was partly offset by the price pressure from customers as a result of depreciation of the Euro and the increased marketing expenses for the launch of licensed products. Despite price pressure from customers due to macroeconomic factors, the Group managed to alleviate the impact by the implementation of cost control measures and the introduction of new products with innovative designs which could command higher margin.

### ***Encouraging Growth in the ODM Business***

Turnover to the Group's ODM customers increased by 43% to HK\$294 million. This encouraging growth was principally attributable to the increase in production capacity, increased marketing efforts as well as the excellent product designs during the year under review. United States and Europe continued to be the major markets for the Group's products and accounted for 68% and 28% (2000: 81% and 16%) respectively of the Group's turnover of its ODM business. Although we see the continuous weakness of the Euro, the Group will continue its marketing efforts in the European countries to achieve a more balanced mix between its sales to the United States and Europe for the sake of the Group's long term interest.



### ***Rapid Expansion in the Distribution Business for Licensed Branded Products***

Turnover contributed by the Group's distribution business increased by 11 times to HK\$34 million. This rapid expansion in turnover was mainly the result of the worldwide launch of the Celine Dion eyewear collection in the second half of the year under review. The result is encouraging and it is expected to continue to generate satisfactory returns for the forthcoming full financial year as the worldwide market position for the Celine Dion eyewear collection becomes more renowned and established.

With the success of the Celine Dion project, the Directors believe the Group has been able to develop its own worldwide eyewear distribution network and establish its recognized market status for eyewear brand development and distribution. In addition to the exclusive worldwide license to distribute the Cour Carre eyewear the Group obtained earlier, the Directors are pleased to announce the Group has successfully obtained the exclusive license to distribute the Hallmark eyewear in most of the major European and Asian countries. The new eyewear collections for these newly licensed brands will be gradually launched through the Group's established distribution network in the next fiscal year, and will become one of the principal driving forces for the Group's growth next year.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Group maintained a strong financial position during the year under review. As at March 31, 2001, net current assets and current ratio of the Group were approximately HK\$160 million and 3.4:1 respectively. The current assets comprised inventories of approximately HK\$68 million, trade and other receivables of approximately HK\$89 million and bank balance and cash of approximately HK\$69 million. The increase in inventories and trade receivables were in line with the growth of the Group's overall business volume. The Group had total assets of approximately HK\$307 million which were financed by current liabilities of approximately HK\$66 million, non-current liabilities of approximately HK\$2 million, minority interests of approximately HK\$0.2 million and shareholders' equity of approximately HK\$240 million. The Group's gearing ratio as at March 31, 2001 was approximately 1%, which was calculated based on the total bank borrowings of approximately HK\$3 million and total shareholders' funds of approximately HK\$240 million.

The Group is confident that it has sufficient liquidity and financial resources to meet its present commitments and future expansion plans.



Deputy Chairman  
Ku Ka Yung



## **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

At March 31, 2001, the Group pledged its leasehold land and buildings in Hong Kong with an aggregate net book value of HK\$3,700,000 (2000:HK\$4,900,000) as security for its banking facilities.

At March 31, 2001, the Group had contingent liabilities in respect of bills of exchange discounted with recourse amounting to approximately HK\$2,530,000 (2000:Nil).

## **PROSPECTS**

Despite the recent signs of slow down in the global economy, the Directors believe that the demand for the Group's ODM and licensed products will remain strong in the next fiscal year. Further investments will be made to upgrade production facilities and cost control measures will be taken to streamline production process and to increase production efficiency.

The growth of the Group's Celine Dion eyewear collection is expected to remain healthy. The newly developed Cour Carre and Hallmark collections have received very favorable market response so far and are expected to generate satisfactory returns in the future. In order to more fully leverage on its established distribution network and brand development capability, the Group will continue to identify licensing opportunities for brand names with good market potential.

A prudent approach will be taken for all of the business projects mentioned above so that the Group will maintain a strong financial position to capitalize on any new business opportunities and to be prepared for any new business environments in the future.

With these business projects and the Group's sound financial position, the Directors are confident that the Group will continue to report satisfactory results.

## **APPRECIATION**

On behalf of the Board of Directors, 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, suppliers, bankers and staff for their efforts and commitment.

**Ku Ngai Yung, Otis**  
Chairman

**Ku Ka Yung**  
Deputy Chairman

Hong Kong, July 20, 2001