

# *Letter to Shareholders*

We are pleased to announce the results of the third 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 despite the difficult general business environment.

## **RESULTS**

For the year ended March 31, 2002, 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 7% and 8% to HK\$351 million and HK\$76 million respectively. Basic earnings per share also increased by 8% to HK 37 cents. This marks the seventh 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 HK 7.2 cents per share at the forthcoming annual general meeting to shareholders whose names appear on the register of members on September 20, 2002. This final dividend, together with the interim dividend of HK 3.6 cents per share, represents a total dividend of HK 10.8 cents per share (2001: HK 10.2 cents) for the year, an increase of about 6% over last year. The final dividend is expected to be paid on or about September 27, 2002.

## **CLOSURE OF REGISTER OF MEMBERS**

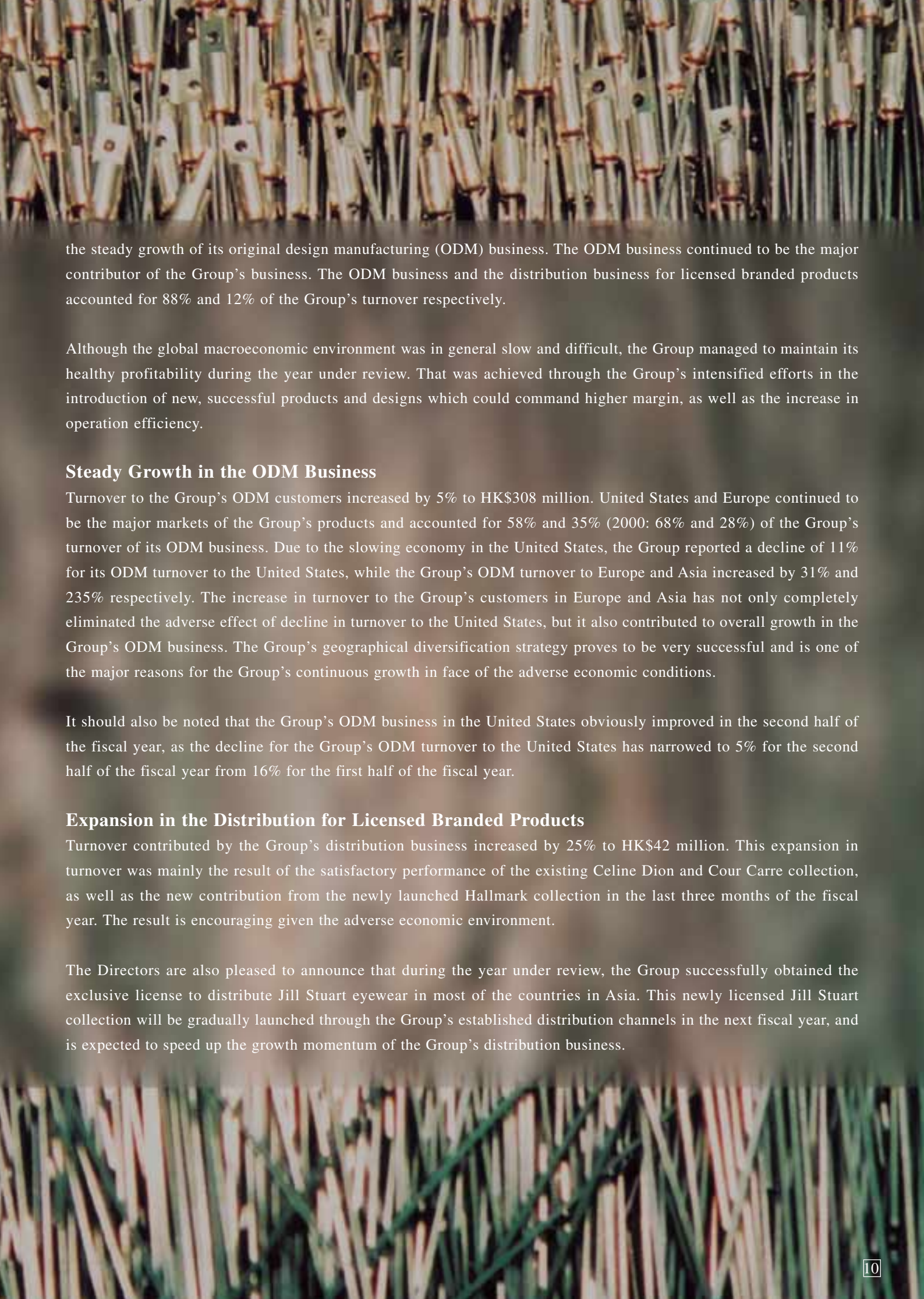
The register of members of the Company will be closed from September 18, 2002 to September 20, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates, must 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 September 17, 2002.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

2001 was a difficult year for most of the business. However, the Group continued to report satisfactory performance during the year under review, due to the expansion of its distribution business for licensed branded products as well as





the steady growth of its original design manufacturing (ODM) business. 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 88% and 12% of the Group's turnover respectively.

Although the global macroeconomic environment was in general slow and difficult, the Group managed to maintain its healthy profitability during the year under review. That was achieved through the Group's intensified efforts in the introduction of new, successful products and designs which could command higher margin, as well as the increase in operation efficiency.

### **Steady Growth in the ODM Business**

Turnover to the Group's ODM customers increased by 5% to HK\$308 million. United States and Europe continued to be the major markets of the Group's products and accounted for 58% and 35% (2000: 68% and 28%) of the Group's turnover of its ODM business. Due to the slowing economy in the United States, the Group reported a decline of 11% for its ODM turnover to the United States, while the Group's ODM turnover to Europe and Asia increased by 31% and 235% respectively. The increase in turnover to the Group's customers in Europe and Asia has not only completely eliminated the adverse effect of decline in turnover to the United States, but it also contributed to overall growth in the Group's ODM business. The Group's geographical diversification strategy proves to be very successful and is one of the major reasons for the Group's continuous growth in face of the adverse economic conditions.

It should also be noted that the Group's ODM business in the United States obviously improved in the second half of the fiscal year, as the decline for the Group's ODM turnover to the United States has narrowed to 5% for the second half of the fiscal year from 16% for the first half of the fiscal year.

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

Turnover contributed by the Group's distribution business increased by 25% to HK\$42 million. This expansion in turnover was mainly the result of the satisfactory performance of the existing Celine Dion and Cour Carre collection, as well as the new contribution from the newly launched Hallmark collection in the last three months of the fiscal year. The result is encouraging given the adverse economic environment.

The Directors are also pleased to announce that during the year under review, the Group successfully obtained the exclusive license to distribute Jill Stuart eyewear in most of the countries in Asia. This newly licensed Jill Stuart collection will be gradually launched through the Group's established distribution channels in the next fiscal year, and is expected to speed up the growth momentum of the Group's distribution business.

## **LIQUIDITY AND CAPITAL RESOURCES**

During the year under review, the Group continued to benefit from the strong cash inflow from operations, and the financial position of the Group remained strong despite the substantial capital investments made during the financial year. As at March 31, 2002, net current assets and current ratio of the Group were approximately HK\$207 million and 3.8:1 respectively. The current assets comprised inventories of approximately HK\$78 million, trade and other receivables of approximately HK\$95 million and bank balance and cash of approximately HK\$109 million. The Group had total assets of HK\$387 million which were financed by current liabilities of HK\$74 million, non-current liabilities of HK\$2 million and shareholders' equity of HK\$311 million. The Group's gearing ratio as at March 31, 2002 was approximately 1%, which was calculated based on the total bank borrowings of HK\$2 million and total shareholders' funds of HK\$311 million.

The Group had limited exposure to fluctuation in foreign currencies as most of its transactions were conducted in US dollars, Hong Kong dollars and Renminbi. Exchange rates between these currencies were relatively stable during the year under review.

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


At March 31, 2002, the Group pledged its leasehold land and buildings in Hong Kong with an aggregate net book value of HK\$3.6 million (2001: HK\$3.7 million) as security for its bank facilities. At March 31, 2002, the Group had no contingent liabilities in respect of bills of exchange discounted with recourse (2001: HK\$3 million).

At March 31, 2002, the Company has guaranteed the bank facilities of its subsidiaries amounting to approximately HK\$37 million (2001: HK\$45 million)

## **PROSPECTS**

After a year of slow growth in year 2001, the Group has experienced a substantial increase in demand since the beginning of 2002. The Group's turnover for the first two months of 2002/2003 fiscal year showed a growth of approximately 40% when compared with the corresponding two months in 2001. However, it should be noted that there are still ten more months to go for the current fiscal year, and for the sake of prudence it will be too early to extrapolate the full year's performance from these early positive development.





The Group's ODM turnover to the United States has regained momentum, and orders from the European and Asian customers have continued to increase. The Directors believe that while the recovery of the United States economy has a role to play in such rise in demand, the more important factor is the Group's consistent and superior service level in terms of designs and product quality that continue to attract the best eyewear customers in the world. The Group will continue to make investments to upgrade its production facilities and to increase the production capacity to cope with the increase in demand for the Group's products.

It is expected that the growth of the Group's distribution business will be encouraging in the fiscal year ahead. First, the Hallmark collection had contribution in the last three months only of the last fiscal year, while there will be a full year contribution from Hallmark collection to the Group's distribution business in the forthcoming fiscal year. Second, the newly developed Jill Stuart eyewear collection has received very favorable market response so far and is expected to generate satisfactory returns in the year ahead. Third, the performance of the Celine Dion and Cour Carre eyewear collection is expected to be satisfactory given the overall improving economic environment. In the meantime, the Group is still identifying other licensing opportunities for prominent brand names to enrich its brand portfolio.

With the above positive developments in both the ODM and distribution business, 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, staff, suppliers and bankers for their efforts and commitments.

**Ku Ngai Yung, Otis**

Chairman

Hong Kong, July 5, 2002

**Ku Ka Yung**

Deputy Chairman