

The background of the cover is a stack of books. A bright beam of light enters from the left, illuminating the pages and creating a soft glow. The books are stacked vertically, with the spines visible on the right side. The colors of the pages and spines range from light yellow to dark blue.

Sun Hing Vision Group Holdings Limited

Interim Report 2002-2003

OPERATING RESULTS

The Board of Directors (the "Board") of Sun Hing Vision Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2002, together with the comparative figures for the corresponding previous period as follows:-

Condensed Consolidated Income Statement For the six months ended 30 September 2002

		Six months ended	
	Notes	30.9.2002 HK\$'000 (Unaudited)	30.9.2001 HK\$'000 (Unaudited)
Turnover	3	240,011	168,018
Cost of sales		<u>(144,673)</u>	<u>(98,179)</u>
Gross profit		95,338	69,839
Other operating income		692	648
Distribution costs		(4,638)	(3,461)
Administrative expenses		<u>(38,153)</u>	<u>(28,746)</u>
Profit from operations	4	53,239	38,280
Interest income		832	1,234
Finance costs	5	<u>(45)</u>	<u>(73)</u>
Profit before taxation		54,026	39,441
Taxation	6	<u>(3,647)</u>	<u>(2,617)</u>
Profit before minority interests		50,379	36,824
Minority interests		<u>-</u>	<u>5</u>
Net profit for the period		<u>50,379</u>	<u>36,829</u>
Dividend paid	7	<u>17,463</u>	<u>13,940</u>
Earnings per share	8		
Basic		<u>24 cents</u>	<u>18 cents</u>
Diluted		<u>21 cents</u>	<u>18 cents</u>

**Condensed Consolidated Balance Sheet
As at 30 September 2002**

	<i>Notes</i>	30.9.2002 <i>HK\$'000</i> <i>(Unaudited)</i>	31.3.2002 <i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSET			
Property, plant and equipment	9	126,245	105,884
CURRENT ASSETS			
Inventories		92,747	77,655
Trade and other receivables	10	117,992	94,968
Bank balances and cash		153,294	108,803
		<u>364,033</u>	<u>281,426</u>
CURRENT LIABILITIES			
Trade and other payables	11	91,708	66,769
Taxation payable		9,026	6,217
Bank borrowings – due within one year		1,242	1,411
		<u>101,976</u>	<u>74,397</u>
NET CURRENT ASSETS		<u>262,057</u>	<u>207,029</u>
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		–	871
Deferred taxation		800	800
		<u>800</u>	<u>1,671</u>
		<u>387,502</u>	<u>311,242</u>
CAPITAL AND RESERVES			
Share capital	12	24,364	20,750
Reserves		363,138	290,492
		<u>387,502</u>	<u>311,242</u>

**Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 September 2002**

	Share capital	Share premium	Special reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2001	20,500	15,766	18,644	198,719	253,629
Exercise of warrants	–	2	–	–	2
Net profit for the period	–	–	–	36,829	36,829
Dividend paid	–	–	–	(13,940)	(13,940)
At 30 September 2001	20,500	15,768	18,644	221,608	276,520
Exercise of warrants	250	2,750	–	–	3,000
Net profit for the period	–	–	–	39,102	39,102
Dividend paid	–	–	–	(7,380)	(7,380)
At 31 March 2002	20,750	18,518	18,644	253,330	311,242
Exercise of share options	10	82	–	–	92
Exercise of warrants	3,604	39,648	–	–	43,252
Net profit for the period	–	–	–	50,379	50,379
Dividend paid	–	–	–	(17,463)	(17,463)
At 30 September 2002	<u>24,364</u>	<u>58,248</u>	<u>18,644</u>	<u>286,246</u>	<u>387,502</u>

**Condensed Consolidated Cash Flow Statement
For the six months ended 30 September 2002**

	Six months ended	
	30.9.2002	30.9.2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash from operating activities	50,910	45,632
Net cash used in investing activities	(31,215)	(20,793)
Net cash from (used in) financing activities	<u>24,796</u>	<u>(14,276)</u>
Net increase in cash and cash equivalents	44,491	10,563
Cash and cash equivalents at the beginning of the period	<u>108,803</u>	<u>69,218</u>
Cash and cash equivalents at the end of the period, representing bank balances and cash	<u>153,294</u>	<u>79,781</u>

**Notes to the Condensed Financial Statements
For the six months ended 30 September 2002**

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of land and buildings.

The accounting policies adopted for the preparation of the condensed financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2002 except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SEGMENTAL INFORMATION

The Group is principally engaged in the design, manufacture and sales of optical products. Accordingly, the Group reports its primary segment information based on geographical market.

	Six months ended			
	30.9.2002	30.9.2002	30.9.2001	30.9.2001
	Revenue	Results	Revenue	Results
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
United States	142,765	36,143	98,278	23,498
Europe	71,568	15,208	47,384	12,151
Asia	20,370	3,105	18,286	3,891
Others	5,308	1,270	4,070	701
	<u>240,011</u>	<u>55,726</u>	<u>168,018</u>	<u>40,241</u>
Unallocated corporate expenses		(3,179)		(2,609)
Other operating income		<u>692</u>		<u>648</u>
Profit from operations		<u>53,239</u>		<u>38,280</u>

4. PROFIT FROM OPERATIONS

	Six months ended	
	30.9.2002	30.9.2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Depreciation and amortisation	11,686	8,794
and after crediting:		
Gain on disposal of property, plant and equipment	<u> –</u>	<u> 113</u>

5. FINANCE COSTS

The finance costs represent interest expense on bank borrowings wholly repayable within five years.

6. TAXATION

	Six months ended	
	30.9.2002	30.9.2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong	3,647	2,367
Deferred taxation	<u> –</u>	<u> 250</u>
	<u> 3,647</u>	<u> 2,617</u>

Hong Kong Profits Tax is calculated at the rate of 16% on the estimated assessable profit for the period.

There is no significant unprovided deferred taxation for both interim periods.

7. DIVIDEND PAID

On 27 September 2002, a dividend of HK\$7.2 cents per share (2001: HK\$6.8 cents) was paid to shareholders as final dividend for 2002.

The directors have resolved that an interim dividend of HK\$4 cents per share and a special dividend HK\$2 cents per share (2001: HK\$3.6 cents and nil) will be paid to the shareholders of the Company whose names appear in the register of members on 10 January 2003.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended	
	30.9.2002	30.9.2001
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	50,379	36,829
	<u>50,379</u>	<u>36,829</u>
	Number of shares	
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	214,230,482	205,000,000
Effect of dilutive potential ordinary shares:		
– Share options	7,666,949	3,151,000
– Warrants	14,562,236	–
	<u>236,459,667</u>	<u>208,151,000</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>236,459,667</u>	<u>208,151,000</u>

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$32,047,000 (six months ended 30 September 2001: HK\$22,316,000) on additions of property, plant and equipment.

10. 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 at the reporting date:

	30.9.2002	31.3.2002
	HK\$'000	HK\$'000
Trade receivables		
Current	76,048	72,199
Overdue up to 90 days	28,462	12,239
Overdue more than 90 days	6,242	4,016
	<u>110,752</u>	<u>88,454</u>
Other receivables	7,240	6,514
	<u>117,992</u>	<u>94,968</u>

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	30.9.2002	31.3.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
Current	47,376	31,660
Overdue up to 90 days	22,026	20,028
Overdue more than 90 days	4,227	857
	<hr/>	<hr/>
	73,629	52,545
Other payables	18,079	14,224
	<hr/>	<hr/>
	91,708	66,769
	<hr/>	<hr/>

12. SHARE CAPITAL

	Number of shares	Amount
		<i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 30 September 2002 and 31 March 2002	500,000,000	50,000
Issued and fully paid:		
At 1 April 2001	205,000,000	20,500
Issue of shares upon exercise of warrants	2,502,000	250
	<hr/>	<hr/>
At 31 March 2002	207,502,000	20,750
Issue of shares upon exercise of share options	100,000	10
Issue of shares upon exercise of warrants	36,042,800	3,604
	<hr/>	<hr/>
At 30 September 2002	243,644,800	24,364
	<hr/>	<hr/>

13. PLEDGE OF ASSETS

At 31 March 2002, the Group had pledged its leasehold land and buildings in Hong Kong with an aggregate net book value of HK\$3,600,000 as security for its banking facilities. During the period under review, the above mentioned leasehold land and buildings were released as pledged assets upon the expiry of the relevant banking facilities.

14. COMMITMENTS

	30.9.2002	31.3.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements		
– Acquisition of plant and machinery	7,797	4,003
– Factory under construction	5,445	–
	<hr/>	<hr/>
	13,242	4,003
Capital expenditure authorised but not contracted for		
– Factory under construction	–	3,083
	<hr/>	<hr/>
	13,242	7,086
Commitments for license fee for brandnames contracted for but not provided in the financial statements	6,010	8,628
	<hr/>	<hr/>
	19,252	15,714
	<hr/>	<hr/>

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$4 cents per share and a special dividend HK\$2 cents per share for the six months ended 30 September 2002 (2001: HK\$3.6 cents and nil). The interim dividend will be payable on or about 14 February 2003 to shareholders whose names appear on the register of members of the Company on 10 January 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 January 2003 to 10 January 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the abovementioned interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong no later than 4:00 p.m. on 7 January 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As a result of the total dedication and effort of its staff and management, the Group continued to report satisfactory performance during the period under review even under the more difficult and challenging economic environment.

The Group's unaudited consolidated turnover and profit attributable to shareholders for the six months ended 30 September 2002 were HK\$240 million and HK\$50 million, representing an increase of 43% and 37% respectively over the corresponding period last year. Basic earnings per share also increased by 33% to 24 cents.

During the period under review, the Group was very successful in growing both the original design manufacturing (ODM) business and the 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 89% and 11% of the Group's turnover respectively.

The contribution from the increase in turnover was however slightly offset by the higher raw material costs due to the depreciation of the United States dollar against the Euro and the increased benefits provided to customers given the difficult business environment during the period under review. The Directors believe that while the depreciation of the United States dollar has a slight adverse impact on the Group's production costs in the short term, the competitiveness of the Group's products will be increased as a result and the Group will benefit in the long run.

Encouraging Growth in the ODM Business

Turnover to the Group's ODM customers increased by 44% to HK\$215 million. During the period under review, the ODM turnover to the United States and Europe increased significantly by 48% and 53% respectively. The Directors believe that this superior performance is attributed to the Group's consistent and superior service level in terms of design, delivery and product quality that continues to attract new business from the best eyewear customers in the world.

United States and Europe continued to be the major markets of the Group's products and accounted for 64% and 31% (2001: 63% and 29%) of the Group's turnover of its ODM business. The Group's proportion of sales to Europe has become more significant gradually.

Distribution for Licensed Branded Products

Turnover contributed by the Group's distribution business increased by 34% to HK\$25 million. This expansion in turnover was mainly the result of the new contribution from the Hallmark collection and the Jill Stuart collection launched in the beginning of the year. It is expected that the Group's distribution business in the second half of the fiscal year will be satisfactory and will continue to be one of the principal driving forces for the Group's growth.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2002, net current assets and current ratio of the Group were approximately HK\$262 million and 3.6:1 respectively. The current assets comprised inventories of approximately HK\$93 million, trade and other receivables of approximately HK\$118 million and bank balance and cash of approximately HK\$153 million. The Group had total assets of approximately HK\$490 million which were financed by current liabilities of approximately HK\$102 million, non-current liabilities of approximately HK\$1 million, and shareholders' equity of approximately HK\$388 million. The Group's gearing ratio as at 30 September 2002 was approximately 0.3%, which was calculated based on the total bank borrowings of approximately HK\$1 million and total shareholders' funds of approximately HK\$388 million.

During the period under review, the Group has successfully raised HK\$43 million through the conversion of the Group's warrants by the warrant holders. The proceeds will be used for the expansion and upgrade of the Group's production facilities, as well as for general working capital.

Given the Group's strong cash flows, the Directors have resolved to declare a special dividend of HK\$2 cents per share on the top of the interim dividend of HK\$4 cents per share for the six months ended 30 September 2002. The Directors will continue to monitor the dividend policy closely to ensure that an 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 US 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.

At 30 September 2002, the Company has guaranteed the bank facilities of its subsidiaries amounting to approximately HK\$35 million (31 March 2002: HK\$37 million).

PROSPECTS

The Directors expect that the demand for the Group's ODM products will remain satisfactory on an overall basis for the second half of the year. It is expected that certain weaknesses in demand for the Group's ODM products in the United States in comparison to the first six months may be seen, but the growth of demand in the European market is expected to contribute significantly to the Group's overall results. The Group will continue to invest to upgrade its production facilities and to expand production capacity.

It is expected that the performance of the distribution business for licensed branded products will continue to be satisfactory in the second half of the year. The Group now has four major brands under management for eyewear products: namely Hallmark, Jill Stuart, Celine Dion and Cour Carre. Each brand has its own characteristics and different target markets and customers. The Directors believe that the current brand portfolio has formed a solid foundation for growth for the distribution business. The Group is still identifying other licensing opportunities for prominent brand names to further enrich its brand portfolio.

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.

DIRECTORS' INTEREST IN SHARES

At 30 September 2002, the interests of directors and their associates in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of ordinary shares held as other interest	Number of ordinary shares held as personal interest
Ku Ngai Yung, Otis	136,288,000 (<i>Notes 1&2</i>)	–
Ku Ka Yung	136,288,000 (<i>Notes 1&2</i>)	–
Ku Ling Wah, Phyllis	136,288,000 (<i>Notes 1&2</i>)	–
Cheung Chiu Hung	–	1,350,000
Tsang Wing Leung, Jimson	–	1,636,000
Chan Chi Sun	–	1,526,000 (<i>Note 3</i>)
Ma Sau Ching	–	100,000 (<i>Note 4</i>)

Note:

- (1) 136,288,000 ordinary shares 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 of 18.
- (2) United Vision International Limited has exercised its rights on 10 September 2002 to subscribe for 25,400,000 shares at the price of HK\$1.2 per share in the Company pursuant to a bonus issue of warrants to it by the Company on 4 October 2000.
- (3) Mr. Chan Chi Sun has exercised his rights on 19 September 2002 to subscribe for 20,000 shares at the price of HK\$1.2 per share in the Company pursuant to a bonus issue of warrants to him by the Company on 4 October 2000.
- (4) Ms. Ma Sau Ching has exercised her rights to subscribe for 100,000 shares on 16 August 2002 out of 1,000,000 shares at HK\$0.92 per share under the share option scheme.

As at 30 September 2002, the following directors had interests recorded in the register kept under section 29 of the SDI Ordinance being options granted under the Company's share option scheme to subscribe for shares.

Name of director	Number of share options outstanding at 30 September 2002 (personal interests)
Ku Ngai Yung, Otis	3,600,000 (<i>Note 1</i>)
Ku Ka Yung	3,600,000 (<i>Note 1</i>)
Ku Ling Wah, Phyllis	3,600,000 (<i>Note 1</i>)
Ma Sau Ching	900,000 (<i>Notes 2&3</i>)

<i>Note 1: Date of Grant</i>	<i>Exercise Period</i>	<i>Exercise Price HK\$</i>
3 March 2000	3 March 2000-2 March 2005	0.75

<i>Note 2: Date of Grant</i>	<i>Exercise Period</i>	<i>Exercise Price HK\$</i>
11 June 2001	11 June 2001-10 June 2006	0.92

Note 3: Ms. Ma Sau Ching has exercised her rights to subscribe for 100,000 shares on 16 August 2002 out of 1,000,000 shares at HK\$0.92 per share under the share option scheme.

Other than described above (a) at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and (b) none of the directors, their spouses or children under the age of 18, had any right to subscribe for shares of the Company, or had exercised any such right during the year.

Save as disclosed above, none of the directors nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30 September 2002.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that 136,288,000 ordinary shares (representing 55.94% of the entire issued shares) of the Company were held by United Vision International Limited, details of which are disclosed in note (1) to the section "Directors' Interests In Shares". Other than this the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital.

AUDIT COMMITTEE

The audit committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim financial reports.

CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. All directors except for the chairman of the board and/or the managing director of the Company are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's bye-laws.

APPRECIATION

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

On behalf of the Board
Ku Ngai Yung, Otis
Chairman

Hong Kong, 13 December 2002

德勤·關黃陳方會計師行

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**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 been instructed by the Company to review the interim financial report set out on pages 1 to 9.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquires of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2002.

Deloitte Touche Tohmatsu
Certified Public Accountants

KLL ASSOCIATES CPA LIMITED
Law Fung Ha
Practising Certificate Number P03958

Hong Kong, 13 December 2002



Sun Hing

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

二零零二至二零零三年中期報告