SUN HING VISION GROUP HOLDINGS LIMITED

interim report 05/06

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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

JOINT AUDITORS

Deloitte Touche Tohmatsu
BDO McCabe Lo Limited

LEGAL ADVISER IN HONG KONG

Arculli Fong & Ng

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

Secretaries Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong
(Note)

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Bank of America (Asia) Limited
UFJ Bank Limited
The Hong Kong and Shanghai Banking Corporate Limited
Citibank N.A., Hong Kong Branch

Note: Secretaries Limited will relocate its office to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (i.e. Investor Services – Public Office) with effect from 3 January 2006. With effect from 16 January 2006, the Register of Members of the Company in Hong Kong will be located at Level 25, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2005, turnover of the Group increased by 4% to HK$305 million (2004: HK$293 million). However, the profitability of the Group was adversely affected by the negative operating environment for the period under review and the net profit of the Group decreased by 26% to HK$36 million (2004: HK$48 million). Basic earnings per share decreased by 26% to HK14 cents.

During the period 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 turnover, but at the same time the branded eyewear distribution business is increasing its importance to the Group. The ODM business and the branded eyewear distribution business accounted for 86% and 14% of the Group's turnover respectively (2004: 91% and 9%).

Like most of the eyewear manufacturing companies that have operations in the People's Republic of China ("PRC"), the Group's profitability was adversely affected by higher raw material costs, energy prices and the surge in wage levels during the period under review. As far as product mix is concerned, the higher proportion of lower margin plastic frames sold during the period also led to reduction in profitability of the Group. The gross profit margin percentage decreased by 3% to 31% (2004: 34%) during the period under review.

THE ODM BUSINESS

Turnover derived from the Group's ODM customers was steady at HK$263 million (2004: HK$266 million). During the period under review, the eyewear fashion was still in favour of plastic products and the Group's sales of plastic frames increased significantly by 37% to HK$110 million (2004: HK$80 million). Despite that, the Group's increase in production capacity for plastic products still could not cope with the rapid rise in demand for plastic frames, and as a result the Group's ODM growth was adversely affected. Sales of metal frames, plastic frames and other spare parts accounted for 57%, 42% and 1% respectively of the Group's ODM turnover during the period under review (2004: 69%, 30% and 1%).

The Group's ODM turnover in Europe increased by 4% to HK$142 million (2004: HK$137 million), while ODM turnover in the United States decreased by 9% to HK$111 million (2004: HK$122 million). The consolidation of the American eyewear industry at both retail and wholesale levels created uncertainty for the Group's American customers, who as a result became more cautious in planning their inventory and placing new orders. Europe and the United States remained to be the major markets of the Group's products and accounted for 54% and 42% (2004: 52% and 46%) of the Group's turnover of its ODM business.

THE BRANDED EYEWEAR DISTRIBUTION BUSINESS

Turnover contributed by the Group's branded eyewear distribution business increased sharply by 53% to HK$42 million (2004: HK$27 million). This satisfactory performance was due to the increased penetration of the Levi's® eyewear collection within Asia and the expanded coverage of the Levi's® eyewear outside Asia, including countries like Australia and South Africa. The strong performance of the existing brands, as well as the successful launch of eyewear collections for the newly licensed brand "New Balance" and our in-house fashion brand "PUBLIC+" also contributed to the rapid growth during the period under review. Asia continued to be the major market of the Group's branded eyewear distribution business and accounted for 67% of the Group's distribution turnover (2004: 63%).

LIQUIDITY AND CAPITAL RESOURCES

During the period under review, the Group continued to benefit from the strong cash inflow from operations, which generated net operating cash inflow of HK$43 million. As at 30 September 2005, net current assets and current ratio of the Group were approximately HK$327 million and 3.4:1 respectively. As at 30 September 2005, the Group had long-term bank deposits, bank term deposits as well as bank and cash balance amounting to HK$142 million and did not have any bank borrowings. The total shareholders' equity of the Group increased to HK$535 million as at 30 September 2005 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 cash flows, once again the Directors have resolved to declare a Special Dividend of HK1.5 cents per share in addition to the Interim Dividend of HK4.2 cents per share for the six months ended 30 September 2005. The Directors will continue to monitor the dividend policy and net cash position 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 US dollars, Hong Kong dollars and Renminbi. In addition, the majority of the Group's assets were also kept in these currencies. No hedging of foreign exchange was used given that the Group's exposure to foreign currency fluctuation was still relatively limited.

At 30 September 2005, the Company has guaranteed the bank facilities of its subsidiaries amounting to approximately HK$66 million (2004: HK$46 million), and none of the above-mentioned bank facilities have been utilized.

HUMAN RESOURCES

The Group employed over 7,500 employees as at 30 September 2005. 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 results of the Group. Other employee benefits include medical insurance scheme coverage, mandatory provident fund scheme, subsidized or free training programs and participation in the Company's share option scheme.

PROSPECTS

Despite the decrease in net profit in comparison to the first six months of the last fiscal year, the Group's operating situation has actually been improving in comparison to the second half of the last fiscal year in terms of both profitability and total net profit. The Directors are cautiously optimistic about the Group's performance in the second half of the fiscal year, and believe that although the challenges from high raw material and labour costs will continue in the foreseeable future, it is expected that the Group will be able to alleviate such adverse impacts over time by developing more innovative products with better selling prices, and by streamlining our internal operations to become even more efficient.

The Directors expect that the demand for the Group's ODM products will be strong for the second half of the fiscal year. The Group's new production facility at He Yuan city, Guangdong, the PRC, has completed its trial production run period and will help to satisfy the strong demand for the Group's plastic products. In addition, early signs of recovery for the demand for metal products have been seen, and this trend will definitely benefit the Group, of which the market and production positions for metal eyewear are strong. The Group will continue to invest to upgrade its production facilities and to expand production capacity.

It is anticipated that the satisfactory performance of the branded eyewear distribution business will continue in the second half of the fiscal year. The coverage of the Levi's® eyewear collection is expected to be further expanded geographically, and the strong growth momentum for other existing lines of products are expected to continue in all major markets. The Directors believe that the branded eyewear distribution business is becoming a more and more important driver to the Group's overall growth. In the meantime, the Group is still identifying other licensing opportunities for prominent brand names to further enrich its brand portfolio.

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, 16 December 2005

Deloitte.
德勤

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

BDO McCABE LO LIMITED
Certified Public Accountants
8th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

INDEPENDENT REVIEW REPORT

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 8 to 20.

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

* For identification purposes only

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 Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's 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 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants

BDO McCabe Lo Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 16 December 2005

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

	NOTES	Six months ended 30.9.2005 HK$'000 (Unaudited)	30.9.2004 HK$'000 (Unaudited and restated)
Revenue	3	**305,078**	292,938
Cost of sales		**(211,069)**	(194,314)
Gross profit		**94,009**	98,624
Other income		**415**	343
Distribution costs		**(5,794)**	(4,179)
Administrative expenses		**(49,461)**	(43,361)
Interest income		**1,169**	1,330
Profit before taxation	4	**40,338**	52,757
Taxation	5	**(4,703)**	(4,626)
Profit for the period		**35,635**	48,131
Dividend paid	6	**20,836**	20,026
Earnings per share	7		
Basic		**HK14 cents**	HK19 cents
Diluted		**HK14 cents**	HK19 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September, 2005

	NOTES	30.9.2005 HK$'000 (Unaudited)	31.3.2005 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	8	201,479	184,923
Prepaid lease payments		4,183	4,229
Long-term bank deposits		11,617	27,344
		217,279	216,496
CURRENT ASSETS			
Inventories		150,145	133,491
Trade and other receivables	9	183,469	178,324
Prepaid lease payments		91	91
Bank term deposit		15,727	–
Bank balances and cash		114,724	117,081
		464,156	428,987
CURRENT LIABILITIES			
Trade and other payables	10	134,945	127,645
Tax liabilities		1,920	178
		136,865	127,823
NET CURRENT ASSETS		327,291	301,164
		544,570	517,660
CAPITAL AND RESERVES			
Share capital	12	26,248	25,704
Reserves		509,185	483,556
		535,433	509,260
NON-CURRENT LIABILITY			
Deferred tax liabilities	11	9,137	8,400
		544,570	517,660

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September, 2005

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Accumulated profits HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 April 2004	24,724	61,638	18,644	362,023	–	467,029
Recognition of equity-settled share based payment	–	–	–	–	116	116
Profit for the period (restated)	–	–	–	48,131	–	48,131
Dividend paid	–	–	–	(20,026)	–	(20,026)
At 30 September 2004	24,724	61,638	18,644	390,128	116	495,250
Issue of shares upon exercise of share options	980	6,370	–	–	–	7,350
Recognition of equity-settled share based payment	–	–	–	–	116	116
Profit for the period	–	–	–	22,481	–	22,481
Dividend paid	–	–	–	(15,937)	–	(15,937)
At 31 March 2005	25,704	68,008	18,644	396,672	232	509,260
Issue of shares upon exercise of share options	20	164	–	–	–	184
Issue of shares in lieu of cash dividends	524	10,609	–	–	–	11,133
Issue expense	–	(51)	–	–	–	(51)
Recognition of equity-settled share based payment	–	–	–	–	108	108
Profit for the period	–	–	–	35,635	–	35,635
Dividend paid	–	–	–	(20,836)	–	(20,836)
At 30 September 2005	**26,248**	**78,730**	**18,644**	**411,471**	**340**	**535,433**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September, 2005

	Six months ended 30.9.2005 HK$'000 (Unaudited)	30.9.2004 HK$'000 (Unaudited)
Net cash from operating activities	**42,503**	49,043
Proceeds from disposal of property, plant and equipment	**159**	150
Other investing cash flows	**(35,449)**	(43,265)
Net cash used in investing activities	**(35,290)**	(43,115)
Proceeds on issue of shares	**184**	–
Other financing cash flows	**(9,754)**	(20,026)
Net cash used in financing activities	**(9,570)**	(20,026)
Net decrease in cash and cash equivalents	**(2,357)**	(14,098)
Cash and cash equivalents at the beginning of the period	**117,081**	150,804
Cash and cash equivalents at the end of the period, representing bank balances and cash	**114,724**	136,706

1. BASIS OF PREPARATION

The condensed 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 financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Share-based payment

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted after 1 April 2005. In accordance with the relevant transitional provisions, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 April 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 April 2005. Comparative figures have been restated (see Note 2A for the financial impact).

Financial Instruments
In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities
From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The adoption of the new HKAS has had no material effect on how the results for the current or prior accounting periods are prepared and presented.

Owner-occupied Leasehold Interest in Land
In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. Under HKAS 17 "Leases", the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. The consideration paid is allocated between the land and buildings elements unless impracticable. The leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 2A for the financial impact).

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	*HK$'000*
Increase in employee benefits expense, included in administrative expenses	**108**	116

The cumulative effects of the application of the new HKFRSs as at 31 March 2005 are summarised below:

	As at 31 March 2005 (originally stated) *HK$'000*	Effect of HKFRS 2 *HK$'000*	Effect of HKAS 17 *HK$'000*	As at 31 March 2005 (restated) *HK$'000*
Balance sheet items				
Property, plant and equipment	189,243	–	(4,320)	184,923
Prepaid lease payments	–	–	4,320	4,320
Total effects on assets and liabilities	189,243	–	–	189,243
Accumulated profits	396,904	(232)	–	396,672
Share option reserve	–	232	–	232
Total effects on equity	396,904	–	–	396,904

2B. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these HKASs, HKFRSs and HKFRS-Ints in future periods will have no material impact on the financial statements of the Group.

HKAS 1 (AMENDMENT)	Capital Disclosures
HKAS 19 (AMENDMENT)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (AMENDMENT)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (AMENDMENT)	The Fair Value Option
HKAS 39 and HKFRS 4 (AMENDMENTS)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS – INT 4	Determining whether an Arrangement contains a Lease
HKFRS – INT 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC) – INT 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

3. SEGMENTAL INFORMATION

The Group is principally engaged in the design, manufacture and sales of optical products. No business segment analysis is presented as management considers this as one single business segment. Accordingly, the Group reports its primary segment information based on geographical market.

	Six months ended			
	30.9.2005 Revenue *HK$'000*	**30.9.2005 Results *HK$'000***	30.9.2004 Revenue *HK$'000*	30.9.2004 Results *HK$'000* (As restated)
Europe	**147,546**	**30,050**	142,536	35,165
United States	**113,436**	**23,346**	122,719	31,903
Asia	**34,916**	**6,757**	21,081	4,067
Others	**9,180**	**2,119**	6,602	1,418
	305,078	**62,272**	292,938	72,553
Unallocated corporate expenses		**(23,518)**		(21,469)
Interest income		**1,169**		1,330
Other income		**415**		343
Profit before taxation		**40,338**		52,757

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2005 *HK$'000*	30.9.2004 *HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation and amortisation	**18,861**	17,177
Expense in relation to share option granted to employees	**108**	116

5. TAXATION

	Six months ended 30.9.2005 HK$'000	30.9.2004 HK$'000
Hong Kong Profits Tax	**3,966**	4,310
Deferred tax *(Note 11)*	**737**	316
	4,703	4,626

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period.

6. DIVIDEND PAID

On 28 September 2005, a dividend of HK8.1 cents per share (2004: HK8.1 cents) was paid to shareholders as final dividend for 2005.

The directors have determined that an interim dividend of HK4.2 cents per share and a special dividend of HK1.5 cents per share (2004: an interim dividend of HK4.2 cents per share and a special dividend of HK2 cents per share) will be paid to the shareholders of the Company whose names appear in the Register of Members on 13 January 2006.

7. EARNINGS PER SHARE

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

	Six months ended 30.9.2005 HK$'000	30.9.2004 HK$'000 (As restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**35,635**	48,131
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**257,195,032**	247,239,200
Effect of dilutive potential ordinary shares: – Share options	**288,472**	8,181,383
Weighted average number of shares for the purpose of diluted earnings per share	**257,483,504**	255,420,583

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$35,449,000 (six months ended 30 September 2004: HK$31,692,000) on additions of property, plant and equipment and disposed of property, plant and equipment at net book value of HK$78,000 (six months ended 30 September 2004: HK$270,000) with a gain on disposal of HK$81,000 (six months ended 30 September 2004: a loss on disposal of HK$120,000).

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 at the reporting date:

	30.9.2005	31.3.2005
	HK$'000	*HK$'000*
Trade receivables		
Current	**125,953**	127,123
Overdue up to 90 days	**33,736**	31,801
Overdue more than 90 days	**9,771**	6,313
	169,460	165,237
Other receivables	**14,009**	13,087
	183,469	178,324

10. TRADE AND OTHER PAYABLES

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

	30.9.2005	31.3.2005
	HK$'000	*HK$'000*
Trade payables		
Current and overdue up to 90 days	**105,567**	101,185
Overdue more than 90 days	**3,007**	4,879
	108,574	106,064
Other payables	**26,371**	21,581
	134,945	127,645

11. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation *HK$'000*	Revaluation of properties *HK$'000*	Total *HK$'000*
At 1 April 2004	8,079	(662)	7,417
Charge to income for the period	310	6	316
At 30 September 2004	8,389	(656)	7,733
Charge to income for the period	275	392	667
At 31 March 2005	8,664	(264)	8,400
Charge to income for the period	737	–	737
At 30 September 2005	**9,401**	**(264)**	**9,137**

12. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Issued and fully paid:		
At 1 April 2005	257,039,200	25,704
Issue of shares in lieu of cash dividend	5,239,086	524
Issue shares upon exercise of share options	200,000	20
At 30 September 2005	**262,478,286**	**26,248**

13. COMMITMENTS

	30.9.2005	31.3.2005
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements		
– Acquisition of plant and machinery	**3,259**	17,819
– Factory under construction	**7,563**	599
	10,822	18,418
Capital expenditure authorised but not contracted for		
– Acquisition of plant and machinery	**–**	1,430
Commitments for license fee for brandnames contracted for but not provided in the financial statements	**8,184**	9,128
	19,006	28,976

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended	
	30.9.2005	30.9.2004
	HK$'000	*HK$'000*
Short-term benefits	**1,804**	1,744

OTHER INFORMATION

INTERIM AND SPECIAL DIVIDENDS

The Board has resolved to declare an interim dividend of HK4.2 cents per share ("Interim Dividend") and a special dividend of HK1.5 cents per share ("Special Dividend") for the six months ended 30 September 2005 (2004: interim dividend of HK4.2 cents per share and special dividend of HK2 cents per share). The Interim Dividend and Special Dividend will be payable on or about 28 February 2006 to shareholders whose names appear on the register of members of the Company on 13 January 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 January 2006 to 13 January 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the Interim Dividend and Special Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Secretaries Limited at the relevant addresses mentioned hereinafter no later than 4:00 p.m. on 10 January 2006. For all those transfers effected prior to 3 January 2005, all such transfers accompanied by the relevant share certificates must be lodged with Secretaries Limited at their address at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong until 4:00 p.m. on 2 January 2006. Please note that the Company has been informed by Secretaries Limited that its office will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong with effect from 3 January 2006. Therefore, all transfers accompanied by the relevant share certificates must be lodged with Secretaries Limited at the said new address from 3 January 2006 until 4:00 p.m. on 10 January 2006 (both days inclusive).

SHARE OPTIONS

Pursuant to the Company's share option scheme (the "Scheme"), the Company granted share options in favour of the following Director, the details of which are as follows:

		Number of share options			
Directors	**Options grant date**	**Outstanding as at 1 April 2005**	**Exercised during the period**	**Outstanding as at 30 September 2005**	**Percentage of issued share capital**
Ma Sau Ching	11 June 2001	500,000	200,000	300,000	0.11%

Details of the share options above are as follows:

Date of grant	**Exercise period**	**Exercise Price** *HK$*
11 June 2001	11 June 2001 – 10 June 2006	0.92

During the six month period ended 30 September 2005, no share option was granted by the Company to any Director nor any employees of the Company.

As at 30 September 2005, the total number of shares in respect of which share options had been granted to a Director and employees and remained outstanding under the Scheme was 1,650,000, representing approximately 0.63% of the shares of the Company in issue.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2005, the interests and short position of the Directors and chief executives of the Company in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

1. SHARES IN THE COMPANY (LONG POSITION)

	Number of shares			
Name of director	**Personal interest**	**Other interest**	**Total**	**Percentage of issued share capital**
Ku Ngai Yung, Otis	3,737,223	133,759,382 *(Note 1)*	137,496,605	52.38%
Ku Ka Yung	3,737,223	133,759,382 *(Note 1)*	137,496,605	52.38%
Ku Ling Wah, Phyllis	3,600,000	133,759,382 *(Note 1)*	137,359,382	52.33%
Tsang Wing Leung, Jimson	1,636,000	–	1,636,000	0.62%
Chan Chi Sun	1,526,000	–	1,526,000	0.58%
Ma Sau Ching	400,000	–	400,000	0.15%

Notes:

(1) 133,759,382 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 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.

2. UNDERLYING SHARES IN THE COMPANY (SHARE OPTIONS)

Details of the share options held by the Directors and chief executive of the Company are shown in the preceding section under the heading "Share Options".

Save as disclosed above, as at 30 September 2005, none of the Director or chief executive 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 required to be kept under 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 Companies.

SUBSTANTIAL SHAREHOLDERS' AND OTHER INTERESTS

As at 30 September 2005, the following parties (other than those disclosed under the heading "Directors' Interests in Shares, Underlying Shares and Debentures" above) were recorded in the register required to be kept by the Company under section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name	Number of Shares	Percentage of Issued Share Capital
United Vision International Limited	133,759,382 *(Note 1)*	50.96%
Marshvale Investments Limited	133,759,382 *(Note 1)*	50.96%
HSBC International Trustee Limited	134,577,382 *(Note 1, 2)*	51.27%
J.P. Morgan Chase & Co.	15,218,000	5.80%
Value Partners Limited	20,532,000 *(Note 3)*	7.82%

Note:

(1) 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 133,759,382 shares. 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 133,759,382 shares.

(2) HSBC Trustee is the trustee of The Vision Trust, the discretionary trust settled by Mr. Ku Ngai Yung, Otis and Ku Ka Yung mentioned above. Of the 134,577,382 shares held by HSBC Trustee, 133,759,382 shares were held indirectly through UVI as mentioned in Note (1) above and 818,000 shares were held as trustee.

(3) As at 30 September 2005, Value Partners Limited was controlled by Mr. Cheah Cheng Hye. Therefore, Mr. Cheah was deemed to be interested in the shares held by Value Partners Limited under SFO.

All the interests stated above represent long position. Save as disclosed above, at 30 September 2005, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares or underlying shares of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving interests of the shareholders as a whole. In the opinion of the Board, the Company had complied with all code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") during the period under review, except for the following deviation:

Code Provision A.2.1

Code A.2.1 of CG Code provides, inter alia, 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 should be clearly established and set out in writing.

The Company does not officially have a position of Chief Executive Officer. However, Mr. Ku Ngai Yung, Otis has been assuming the roles of both the Chairman and Chief Executive Officer of the Company. 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. Nonetheless, 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

The audit committee has reviewed with the management and Deloitte Touche Tohmatsu and BDO McCabe Lo Limited, the external joint auditors of the Company, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim financials. 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.

REMUNERATION COMMITTEE

A remuneration committee was established in September 2005 and currently comprises Mr. Lee Kwong Yiu (Chairman), Mr. Lo Wa Kei 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, inter alia, 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 as its own code of conduct regarding securities transactions by the Directors (the "Code"). Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Code for the six months ended 30 September 2005.

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.