



- 2** Corporate Information
- 3** Management Discussion and Analysis
- 6** Independent Review Report
- 7** Condensed Consolidated Income Statement
- 8** Condensed Consolidated Balance Sheet
- 9** Condensed Consolidated Statement of Changes in Equity
- 10** Condensed Consolidated Cash Flow Statement
- 11** Notes to the Condensed Consolidated Financial Statements
- 18** Other Information

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

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER ON HONG KONG LAW

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
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank
(Hong Kong) Limited
Bank of America (Asia) Limited
The Bank of Tokyo-Mitsubishi UFJ,
Limited
The Hong Kong and Shanghai Banking
Corporation Limited
Citibank (Hong Kong) Limited

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group experienced significant growth in its turnover by 46% to HK\$446 million (2005: HK\$305 million). Although the Group was still under severe cost pressure arising from the negative operating environment, through various initiatives implemented in enhancing its operating efficiency, the Group has been able to maintain a stable level of overall profitability. For the six months ended 30 September 2006, the net profit of the Group increased by 47% to HK\$53 million (2005: HK\$36 million), in proportion to the growth in turnover. Basic earnings per share increased by 43% to HK20 cents.

During the six months ended 30 September 2006, 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 grew at a faster pace than the branded eyewear distribution business and continued to contribute a major part of the Group's turnover during the period under review. The ODM business and the branded eyewear distribution business accounted for 89% and 11% of the Group's turnover respectively (2005: 86% and 14%).

The difficult operating environment for manufacturing companies in China persisted during the period under review. Without exception, the Group's profitability was adversely affected by increasing raw material costs, energy prices and the surge in wage levels. However, due to the pro-active improvement measures taken by the Group in enhancing its operational efficiency, the gross profit margin percentage for the period under review only decreased slightly by 1 percentage point to 28% when compared with that of 2006 fiscal year (March 2006: 29%).

THE ODM BUSINESS

During the period under review, the Group recorded a substantial growth in its ODM turnover of 51% to HK\$396 million (2005: HK\$263 million). Market preference between metal and plastic eyewear products was returning to a more normal state, which was certainly beneficial to the turnover growth and performance of the Group. Sales of metal frames, plastic frames and other spare parts accounted for 66%, 32% and 2% respectively of the Group's ODM turnover during the period under review (2005: 57%, 42% and 1%).

The Group's ODM turnover to Europe and the United States increased by 81% to HK\$257 million (2005: HK\$142 million) and 18% to HK\$131 million (2005: HK\$111 million) respectively. Due to its premium product quality and improved order fulfillment capability, the Group was able to acquire more orders from its ODM customers. This trend was particularly evident for the Group's European customers, who were gradually reducing their own production scales and placing more orders to the Group. After a period of consolidation, the American eyewear industry has been gradually stabilizing, which positively contributed to the Group's increase in turnover in this region. Europe and the United States remained as the major markets of the Group's products and accounted for 65% and 33% (2005: 54% and 42%) 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 satisfactorily by 17% to HK\$49 million. This encouraging performance is attributed to the continual expansion of the geographic coverage of the Levi's® eyewear collection during the period, as well as the increasing popularity of eyewear collections for the existing brands, including our in-house fashion brand "PUBLIC+". Asia continued to be the major market of the Group's branded eyewear distribution business and accounted for 60% of the Group's distribution turnover (2005: 67%).

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\$72 million. As at 30 September 2006, net current assets and current ratio of the Group were approximately HK\$351 million and 2.8:1 respectively. As at 30 September 2006, the Group had time deposits as well as bank and cash balance amounting to HK\$149 million and did not have any bank borrowings. The total shareholders' equity of the Group increased to HK\$590 million as at 30 September 2006 from HK\$558 million at 31 March 2006. 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 HK2 cents per share on the top of the interim dividend of HK4.2 cents per share for the six months ended 30 September 2006. The Directors will continue to monitor the dividend policy 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. The exchange rates between these currencies were relatively stable during the period under review, save in respect of the gradual appreciation of Renminbi against US dollars and Hong Kong dollars. No hedging for foreign exchange was used given the Group's exposure to currency fluctuation was still relatively limited.

At 30 September 2006, the Company guaranteed the bank facilities of its subsidiaries amounting to approximately HK\$66 million (2005: HK\$66 million), and none of the above-mentioned bank facilities were utilized.

HUMAN RESOURCES

The Group had a workforce of over 9,000 people as at 30 September 2006. 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

The challenges arising from heightening production cost pressure is expected to continue in the second half of the fiscal year, especially for pressure stemming from the upward movement of raw material prices, wage levels and energy prices. Facing these challenges, the Group is undertaking various productivity and operating efficiency enhancement projects with a view to alleviate the negative factors in a proactive manner. Given these enhancement initiatives, strong market demand and the gradual price adjustment for its products, the Directors are cautiously optimistic about the Group's performance in the second half of the fiscal year.

The Directors expect that the strong demand for the Group's ODM products will continue in the second half of the fiscal year. The stability of the United States eyewear industry, the more normal market demand between plastic and metal products and the continual shift of the European customers' sourcing activity to Asian manufacturers will definitely benefit the Group. To capitalize on the benefit from these opportunities, the Group will continue to invest to upgrade its production facilities and to expand production capacity in a cautious and prudent manner.

The Directors consider the Group's branded eyewear distribution business as an important contributor to the growth of the Group's turnover in the coming few years. It is anticipated that the satisfactory performance of the branded eyewear distribution business will extend into the second half of the fiscal year. Following the successful launch of the Levi's® eyewear collection in the United States during the period under review, the Group is actively seeking opportunities to expand the geographic coverage of the brand into other new markets. The satisfactory performance for other existing lines of products is also expected to continue in all major markets. In the meantime, the Group will continue to optimize its brand portfolio by way of acquiring more prominent brands, focusing resources on selected brands more intensively and phasing out brands with small volumes.

APPRECIATION

On behalf of the Board, I would like to thank our customers for their support during the period. 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, 20 December 2006

Deloitte.

德勤

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 7 to 17.

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.

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 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 2006.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong,
20 December 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

	NOTES	Six months ended	
		30.9.2006 HK\$'000 (Unaudited)	30.9.2005 HK\$'000 (Unaudited)
Revenue	3	445,685	305,078
Cost of sales		(322,228)	(211,069)
<hr/>			
Gross profit		123,457	94,009
Interest income		1,488	1,169
Other income		782	415
Distribution costs		(6,798)	(5,794)
Administrative expenses		(59,869)	(49,461)
<hr/>			
Profit before taxation	4	59,060	40,338
Taxation	5	(6,421)	(4,703)
<hr/>			
Profit for the period		52,639	35,635
<hr/>			
Dividend paid	6	21,285	20,836
<hr/>			
Earnings per share	7		
Basic		HK20 cents	HK14 cents
<hr/>			
Diluted		HK20 cents	HK14 cents
<hr/>			

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2006

	NOTES	30.9.2006 HK\$'000 (Unaudited)	31.3.2006 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	231,226	217,312
Prepaid lease payments		4,091	4,138
Time deposit	9	11,700	11,700
		247,017	233,150
CURRENT ASSETS			
Inventories		184,812	177,373
Trade and other receivables	10	220,398	190,946
Prepaid lease payments		91	91
Time deposit	9	15,600	15,600
Bank balances and cash		121,240	104,227
		542,141	488,237
CURRENT LIABILITIES			
Trade and other payables	11	183,397	152,142
Tax liabilities		7,585	2,807
		190,982	154,949
NET CURRENT ASSETS		351,159	333,288
		598,176	566,438
CAPITAL AND RESERVES			
Share capital	12	26,278	26,248
Reserves		563,324	531,616
		589,602	557,864
NON-CURRENT LIABILITY			
Deferred tax liabilities		8,574	8,574
		598,176	566,438

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2005	25,704	68,008	18,644	232	396,672	509,260
Profit for the period	-	-	-	-	35,635	35,635
Total recognised income for period	-	-	-	-	35,635	35,635
Issue of shares upon exercise of share options	20	164	-	-	-	184
Issue of shares in lieu of cash dividends	524	10,609	-	-	-	11,133
Share issue expense	-	(51)	-	-	-	(51)
Recognition of equity-settled share-based payment	-	-	-	108	-	108
Dividend declared	-	-	-	-	(20,836)	(20,836)
At 30 September 2005	26,248	78,730	18,644	340	411,471	535,433
Profit for the period	-	-	-	-	37,317	37,317
Total recognised income for the period	-	-	-	-	37,317	37,317
Share issue expense	-	(31)	-	-	-	(31)
Recognition of equity-settled share-based payment	-	-	-	107	-	107
Dividend paid	-	-	-	-	(14,962)	(14,962)
At 31 March 2006	26,248	78,699	18,644	447	433,826	557,864
Profit for the period	-	-	-	-	52,639	52,639
Total recognised income for the period	-	-	-	-	52,639	53,639
Issue of shares upon exercise of share options	30	246	-	-	-	276
Recognition of equity-settled share-based payment	-	-	-	108	-	108
Dividend paid	-	-	-	-	(21,285)	(21,285)
At 30 September 2006	26,278	78,945	18,644	555	465,180	589,602

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	Six months ended	
	30.9.2006 HK\$'000 (Unaudited)	30.9.2005 HK\$'000 (Unaudited)
Net cash from operating activities	71,803	42,503
Proceeds from disposal of property, plant and equipment	-	159
Purchase of property, plant and equipment	(33,781)	(35,449)
Net cash used in investing activities	(33,781)	(35,290)
Proceeds on issue of shares	276	184
Dividend paid	(21,285)	(9,703)
Other financing cash flows	-	(51)
Net cash used in financing activities	(21,009)	(9,570)
Net increase (decrease) in cash and cash equivalents	17,013	(2,357)
Cash and cash equivalents at the beginning of the period	104,227	117,081
Cash and cash equivalents at the end of the period, representing bank balances and cash	121,240	114,724

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

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 (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies adopted in the presentation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 March 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results for current or prior accounting periods have been prepared and presented. Accordingly no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC)-INT 8	Scope of HKFRS 2 ²
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ³
HK(IFRIC)-INT 10	Interim financial reporting and impairment ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 November 2006.



3. SEGMENTAL INFORMATION

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

	Six months ended			
	30.9.2006		30.9.2005	
	Revenue HK\$'000	Results HK\$'000	Revenue HK\$'000	Results HK\$'000
Europe	263,449	49,622	147,546	30,050
United States	135,075	26,863	113,436	23,346
Asia	35,343	3,433	34,916	6,757
Others	11,818	1,574	9,180	2,119
	<u>445,685</u>	<u>81,492</u>	<u>305,078</u>	62,272
Unallocated corporate expenses		(24,702)		(23,518)
Interest income		1,488		1,169
Other income		<u>782</u>		<u>415</u>
Profit before taxation		59,060		40,338
Taxation		<u>(6,421)</u>		<u>(4,703)</u>
Profit for the period		<u>52,639</u>		<u>35,635</u>

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2006 HK\$'000	30.9.2005 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	19,867	18,814
Amortisation of prepaid lease payments	47	47
Expense in relation to share options granted to employees	108	108

5. TAXATION

	Six months ended	
	30.9.2006 HK\$'000	30.9.2005 HK\$'000
Hong Kong Profits Tax	6,421	3,966
Deferred tax	–	737
	6,421	4,703

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for 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 Profit Tax. Further, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates.

6. DIVIDEND PAID

On 28 August 2006, the final dividend in respect of the year ended 31 March 2006 of HK8.1 cents per share (year ended 31 March 2005: HK8.1 cents) was paid to shareholders.

The directors have determined that an interim dividend of HK4.2 cents per share and a special dividend of HK2 cents per share (year ended 31 March 2006: an interim dividend of HK4.2 cents per share and a special dividend of HK1.5 cents per share) will be paid to the shareholders of the Company whose names appear in the Register of Members on 18 January 2007.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2006 HK\$'000	30.9.2005 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	52,639	35,635
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	262,773,368	257,195,032
Effect of dilutive potential ordinary shares: – Share options	2,970	288,472
Weighted average number of shares for the purpose of diluted earnings per share	262,776,338	257,483,504

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$33,781,000 (six months ended 30 September 2005: HK\$35,449,000) on additions to property, plant and equipment. During the six months period ended 30 September 2006, the group did not dispose any of its property, plant and equipment. For the six months period ended 30 September 2005, the Group disposed of property, plant and equipment with an aggregate carrying amount of HK\$78,000 resulting in a gain on disposal of HK\$81,000.

9. TIME DEPOSIT

The deposits are denominated in United States dollar with an initial term of six years to ten years. The deposits carry interests determined by formulae with reference to the London Interbank Offer Rate. Included in the amount is a deposit of HK\$15,600,000 (year ended 31 March 2006: HK\$15,600,000) that the bank has an unconditional right to terminate the deposit at the end of each quarter during the six-year period. The Group also has the right to early terminate this deposit prior to the maturity date of 17 July 2009.

	30.9.2006 <i>HK\$'000</i>	31.3.2006 <i>HK\$'000</i>
Analysis for reporting purposes as:		
On demand or within one year	15,600	15,600
More than five years	11,700	11,700
	27,300	27,300

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 balance sheet date:

	30.9.2006 <i>HK\$'000</i>	31.3.2006 <i>HK\$'000</i>
Trade receivables		
Current	181,883	151,582
Overdue up to 90 days	26,579	26,314
Overdue more than 90 days	6,279	6,111
	214,741	184,007
Other receivables	5,657	6,939
	220,398	190,946



11. TRADE AND OTHER PAYABLES

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

	30.9.2006 HK\$'000	31.3.2006 <i>HK\$'000</i>
Trade payables		
Current and overdue up to 90 days	142,629	114,693
Overdue more than 90 days	4,647	2,577
	147,276	117,270
Other payables	36,121	34,872
	183,397	152,142

12. SHARE CAPITAL

	Number of shares	Nominal amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Issued and fully paid:		
At 1 April 2006	262,478,286	26,248
Issue shares upon exercise of share options	300,000	30
At 30 September 2006	262,778,286	26,278

13. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 September 2005, the Group issued 5,239,086 shares of HK\$0.1 each at a total subscription price of approximately HK\$11,133,000 in lieu of cash dividend.



14. COMMITMENTS

	30.9.2006 HK\$'000	31.3.2006 HK\$'000
Capital expenditure contracted for but not provided in the financial statements		
– Acquisition of plant and machinery	1,802	2,073
– Factory under construction	793	652
	2,595	2,725
Capital expenditure authorised but not contracted for		
– Acquisition of plant and machinery	1,329	–
– Factory under construction	5,698	5,591
	7,027	5,591
Commitments for license fee for brand names contracted for but not provided in the financial statements	7,068	6,098
	16,690	14,414

15. CONTINGENT LIABILITIES

In October 2005, the creditor trustee of a customer of the Group, which is under a voluntary petition for bankruptcy relief under the United States Bankruptcy Code and applicable state law ("State Law"), commenced an adversary proceeding against the Group. The creditor trustee seeks to recover from the Group an amount of approximately HK\$4,300,000 which is alleged to be preferential transfer under the State Law. The directors of the Company are of the view that the Group has meritorious defences to the claim and accordingly, no provision for this claim has been made in the condensed consolidated financial statements.

16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended	
	30.9.2006 HK\$'000	30.9.2005 HK\$'000
Short-term benefits	1,837	1,804
Share-based payments	108	108
	1,945	1,912

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

OTHER INFORMATION

INTERIM AND SPECIAL DIVIDENDS

The Board has resolved to declare an interim dividend of HK4.2 cents and a special dividend of HK2 cents per share for the six months ended 30 September 2006. (2005: HK4.2 cents and HK1.5 cents) The interim and special dividend will be payable on or about 28 February 2007 to shareholders whose names appear on the register of members of the Company on 18 January 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 January 2007 to 18 January 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the abovementioned 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 15 January 2007.

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:

Directors	Options grant date	Number of share options			
		Outstanding as at 1 April 2006	Exercised during the period	Outstanding as at 30 September 2006	Percentage of issued share capital
Ma Sau Ching	11 June 2001	300,000	300,000	NIL	0%

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 2006, no share option was granted by the Company to any Directors nor any employees of the Company.

As at 30 September 2006, 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 1,350,000, representing approximately 0.51% of the shares of the Company in issue.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2006, 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)

Name of director	Number of shares			Percentage of issued share capital
	Personal interest	Other interest	Total	
Ku Ngai Yung, Otis	3,737,223	137,359,382 <i>(Note 1)</i>	141,096,605	53.69%
Ku Ka Yung	3,737,223	137,359,382 <i>(Note 1)</i>	141,096,605	53.69%
Ku Ling Wah, Phyllis	–	137,359,382 <i>(Note 1)</i>	137,359,382	52.27%
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	700,000	–	700,000	0.27%

Note:

- (1) 137,359,382 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 2006, 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 Issuers.

SUBSTANTIAL SHAREHOLDERS' AND OTHER INTERESTS

As at 30 September 2006, 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	137,359,382 <i>(Note 1)</i>	52.27%
Marshvale Investments Limited	137,359,382 <i>(Note 1)</i>	52.27%
HSBC International Trustee Limited	138,177,382 <i>(Note 1, 2)</i>	52.58%
Value Partners Limited	20,532,000 <i>(Note 3)</i>	7.81%
OCM Emerging Markets Fund, L.P.	18,824,000 <i>(Note 4)</i>	7.16%



Notes:

- (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 137,359,382 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 137,359,382 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 138,177,382 shares held by HSBC Trustee, 137,359,382 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 2006, 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.
- (4) As at 30 September 2006, OCM Emerging Markets Fund, L.P. was controlled by Oaktree Capital Management, LLC. Oaktree Capital Management, LLC was therefore deemed to be interested in the shares held by OCM Emerging Markets Fund, L.P. under the SFO.

All the interests stated above represent long position. Save as disclosed above, at 30 September 2006, 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 the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions as set out in the Code on Corporate Governance Practices contained (the "CG Code") in Appendix 14 of the Listing Rules, except for deviations from code provision A.2.1 only. 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 the 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.

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. 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 Company as well as various auditing, financial reporting and internal control matters with the management and/or external auditors of the Company. The Group's unaudited financial statements for the six months ended 30 September 2006 have been reviewed by the Audit Committee together with the Company's external auditors Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

A remuneration committee was established 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, 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 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 2006.

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.

