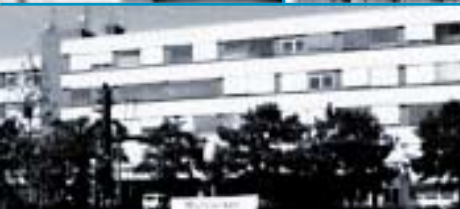




Moulin International Holdings Limited



INTERIM REPORT 2002

## Interim Results

The directors are pleased to announce the unaudited interim results of Moulin International Holdings Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 September, 2001.

### Consolidated profit and loss account

for the six months ended 30 September 2001 - unaudited

|  | Note | Six months ended<br>30 September |                                     |
|--|------|----------------------------------|-------------------------------------|
|  |      | 2001<br>HK\$'000                 | 2000<br>HK\$'000<br><b>Restated</b> |
| <b>Turnover</b>  | 2    | 530,149                          | 480,086                             |
| Cost of sales  |      | (225,711)                        | (209,894)                           |
| Gross profit   |      | <u>304,438</u>                   | <u>270,192</u>                      |
| Other revenue  |      | 16,817                           | 7,823                               |
| Other net (expenses)/income                                |      | (2,793)                          | 1,161                               |
| Distribution and selling expenses                          |      | (52,226)                         | (22,551)                            |
| Administrative expenses                                    |      | (121,263)                        | (52,786)                            |
| Other operating expenses                                   |      | <u>(31,579)</u>                  | <u>(18,571)</u>                     |
| Profit from operations                                     | 2    | <u>113,394</u>                   | <u>185,268</u>                      |
| Finance cost   |      | (25,190)                         | (31,113)                            |
| Share of profits less losses of associates                 |      | <u>—</u>                         | <u>(1,941)</u>                      |
| <b>Profit from ordinary activities<br/>before taxation</b> | 4    | <u>88,204</u>                    | <u>152,214</u>                      |
| Taxation   | 5    | <u>(11,996)</u>                  | <u>(14,071)</u>                     |
| <b>Profit from ordinary activities<br/>after taxation</b>  |      | <u>76,208</u>                    | <u>138,143</u>                      |
| Minority interests   |      | 10,223                           | (2,977)                             |
| <b>Profit attributable to shareholders</b>                 | 12   | <u><u>86,431</u></u>             | <u><u>135,166</u></u>               |
| <b>Interim dividend declared</b>                           | 6(a) | <u><u>28,338</u></u>             | <u><u>48,222</u></u>                |
| <b>Earnings per share</b>                                  | 7    |                                  |                                     |
| Basic  |      | <u><u>4.2 cents</u></u>          | <u><u>6.7 cents</u></u>             |
| Diluted  |      | <u><u>4.1 cents</u></u>          | <u><u>6.4 cents</u></u>             |

The notes on pages 6 to 21 form part of this interim financial report.

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## Consolidated statement of recognised gains and losses

for the six months ended 30 September 2001 - unaudited

|  |       | Six months ended<br>30 September |                              |
|--|-------|----------------------------------|------------------------------|
|  | Note  | 2001<br>HK\$'000                 | 2000<br>HK\$'000<br>Restated |
| Exchange differences on translation of<br>the accounts of foreign entities                                 | 12    | <u>(289)</u>                     | <u>37</u>                    |
| <b>Net (losses)/gains not recognised<br/>in the profit and loss account</b>                                |       | (289)                            | -----<br>37                  |
| Profit attributable to shareholders:   |       |                                  |                              |
| As previously reported   |       |                                  | 135,937                      |
| Prior period adjustment arising from<br>change in accounting policy<br>for goodwill                        | 1 (b) |                                  | <u>(771)</u>                 |
| Profit attributable to shareholders<br>(2000: as restated)   |       | <u>86,431</u>                    | <u>-----<br/>135,166</u>     |
| Total recognised gains and losses  |       | <u><u>86,142</u></u>             | <u><u>135,203</u></u>        |
| Prior period adjustment:   |       |                                  |                              |
| Effect of change in accounting policy for<br>goodwill adjusted against retained<br>profits at 1 April 2000 | 1 (b) |                                  | <u><u>27,276</u></u>         |

The notes on pages 6 to 21 form part of this interim financial report.

## Consolidated balance sheet

at 30 September 2001 — unaudited

|  |      | <b>At 30 September<br/>2001</b> | <b>At 31 March<br/>2001</b> |
|--|------|---------------------------------|-----------------------------|
|  | Note | HK\$'000                        | HK\$'000                    |
|  |      |                                 | <b>Restated</b>             |
| <b>Non-current assets</b>  |      |                                 |                             |
| Fixed assets   |      | 697,020                         | 646,304                     |
| Goodwill   |      | 37,277                          | 17,726                      |
| Intangible assets  |      | 275                             | 394                         |
| Interest in associates   |      | 21,144                          | 79,369                      |
| Investments  |      | 72,537                          | 72,640                      |
| Promissory notes   |      | 39,908                          | 59,947                      |
| Staff loans  |      | 6,578                           | 6,578                       |
|  |      | <u>874,739</u>                  | <u>882,958</u>              |
| <b>Current assets</b>  |      |                                 |                             |
| Current investments  |      | 2,165                           | 2,062                       |
| Inventories  |      | 399,582                         | 250,640                     |
| Trade and other receivables  | 8    | 954,206                         | 889,311                     |
| Tax recoverable  |      | 3,341                           | 1,122                       |
| Cash and cash equivalents  | 9    | 299,623                         | 322,704                     |
|  |      | <u>1,658,917</u>                | <u>1,465,839</u>            |
| <b>Current liabilities</b>   |      |                                 |                             |
| Bank overdrafts and<br>current portion<br>of bank loans                                  |      | 192,467                         | 223,745                     |
| Trade and other payables   | 10   | 181,689                         | 120,954                     |
| Current portion of<br>obligations under<br>finance leases and hire<br>purchase contracts |      | 14,910                          | 11,008                      |
| Taxation   |      | 11,382                          | 25,068                      |
| Dividend payable   | 6(b) | 20,513                          | —                           |
|  |      | <u>420,961</u>                  | <u>380,775</u>              |

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## Consolidated balance sheet *(continued)*

at 30 September 2001 — unaudited

|  | Note | At 30 September<br>2001 |                         | At 31 March<br>2001 |                         |
|--|------|-------------------------|-------------------------|---------------------|-------------------------|
|  |      | HK\$'000                | HK\$'000                | HK\$'000            | HK\$'000                |
|  |      |                         |                         |                     | <b>Restated</b>         |
| <b>Net current assets</b>                                    |      |                         | <u>1,237,956</u>        |                     | <u>1,085,064</u>        |
| <b>Total assets less current liabilities</b>                 |      |                         | 2,112,695               |                     | 1,968,022               |
| <b>Non-current liabilities</b>                               |      |                         |                         |                     |                         |
| Bank loans   |      | 527,365                 |                         | 455,295             |                         |
| Obligations under finance leases and hire purchase contracts |      | 13,730                  |                         | 9,385               |                         |
| Convertible notes  |      | <u>117,000</u>          |                         | <u>117,000</u>      |                         |
|  |      |                         | 658,095                 |                     | 581,680                 |
| Minority interests   |      |                         | <u>28,999</u>           |                     | <u>11,384</u>           |
| <b>Net assets</b>  |      |                         | <u><u>1,425,601</u></u> |                     | <u><u>1,374,958</u></u> |
| <b>Capital and reserves</b>                                  |      |                         |                         |                     |                         |
| Share capital  | 11   |                         | 202,412                 |                     | 205,127                 |
| Reserves   | 12   |                         | <u>1,223,189</u>        |                     | <u>1,169,831</u>        |
|  |      |                         | <u><u>1,425,601</u></u> |                     | <u><u>1,374,958</u></u> |

## Condensed consolidated cash flow statement

for the six months ended 30 September 2001 - unaudited

|   | <b>Six months ended</b> |                |
|---|-------------------------|----------------|
|   | <b>30 September</b>     |                |
|   | <b>2001</b>             | <b>2000</b>    |
|   | HK\$'000                | HK\$'000       |
| <b>Net cash inflow from operating activities</b>                                      | 96,510                  | 67,583         |
| <b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b> | 23,436                  | (23,772)       |
| <b>Tax paid</b>   | (27,901)                | (17,068)       |
| <b>Net cash outflow from investing activities</b>                                     | (4,370)                 | (56,192)       |
| <b>Net cash inflow/(outflow) before financing</b>                                     | 87,675                  | (29,449)       |
| <b>Net cash outflow from financing</b>  | (160,519)               | (74,600)       |
| <b>Decrease in cash and cash equivalents</b>  | (72,844)                | (104,049)      |
| <b>Cash and cash equivalents at 1 April</b>   | 269,064                 | 234,611        |
| <b>Cash and cash equivalents at 30 September</b>                                      | <u>196,220</u>          | <u>130,562</u> |
| <b>Analysis of the balances of cash and cash equivalents</b>                          |                         |                |
| Cash at bank and in hand  | 122,896                 | 140,491        |
| Deposits with banks maturing within 3 months of the balance sheet date                | 176,727                 | 77,631         |
| Bank loans repayable within 3 months from the date of the advance and bank overdrafts | (103,403)               | (87,560)       |
|   | <u>196,220</u>          | <u>130,562</u> |

The notes on pages 6 to 21 form part of this interim financial report.

## Notes on the unaudited interim financial report

### **1 Basis of preparation**

This interim financial report is unaudited, but has been reviewed by the Audit Committee.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The financial information relating to the financial year ended 31 March 2001 included in the interim financial report does not constitute the statutory accounts of the Company and its subsidiaries ("the Group") for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 March 2001 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 19 July 2001.

The same accounting policies adopted in the 2001 annual accounts have been applied to the interim financial report except as disclosed under notes (a) and (b) below.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2001 annual accounts.

## **1 Basis of preparation** *(continued)*

### *(a) Dividends*

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1 April 2001, in order to comply with SSAP 9 (revised) "Events after the balance sheet date", issued by the HKSA, the Group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends).

As a result of this change in accounting policy, the Group's net assets at 30 September 2001 have been increased by HK\$28,338,000 (at 31 March 2001: HK\$20,513,000). There is no impact on the Group's profit attributable to shareholders for the periods presented. This new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

### *(b) Goodwill*

In prior years, goodwill arising on the acquisition of subsidiaries and associates was written off to reserves in the year of acquisition. With effect from 1 April 2001, in order to comply with SSAP 30 "Business combinations", issued by the HKSA, goodwill arising on consolidation is being carried forward and amortised on a straight-line basis over its estimated useful life of a period of not more than 20 years. Goodwill arising on consolidation prior to 1 April 2001, which was previously written off against reserves, has been restated as a result of the change of accounting policy.



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## 1 Basis of preparation *(continued)*

### *(b) Goodwill (continued)*

As a result of this change in accounting policy, the Group's net assets at 30 September 2001 have been increased by HK\$51,551,000 (at 31 March 2001: HK\$29,175,000), of which HK\$14,274,000 (at 31 March 2001: HK\$11,449,000) is attributable to interest in associates, and the Group's profit attributable to shareholders for the period decreased by HK\$979,000 (2000: HK\$771,000). This new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

## 2 Segmental information

The principal activities of the Group are the design, manufacture, distribution and retailing of optical products.

The Group's geographical segments are classified according to the locations of customers and are as follows:

|                               | Six months ended 30 September |                       |                        |                       |
|-------------------------------|-------------------------------|-----------------------|------------------------|-----------------------|
|                               | Group Turnover                |                       | Profit from operations |                       |
|                               | 2001                          | 2000                  | 2001                   | 2000                  |
|                               | HK\$'000                      | HK\$'000              | HK\$'000               | HK\$'000              |
| North America                 | 175,312                       | 219,816               | 47,885                 | 80,487                |
| China                         | 113,921                       | 121,319               | 65,106                 | 81,896                |
| Asia (including<br>Hong Kong) | 45,779                        | 72,722                | 5,608                  | 23,787                |
| Europe                        | 193,660                       | 65,006                | 19,272                 | 14,398                |
| Others                        | 1,477                         | 1,223                 | 602                    | 489                   |
|                               | <u>530,149</u>                | <u>480,086</u>        | <u>138,473</u>         | <u>201,057</u>        |
| Unallocated                   | —                             | —                     | (25,079)               | (15,789)              |
|                               | <u><u>530,149</u></u>         | <u><u>480,086</u></u> | <u><u>113,394</u></u>  | <u><u>185,268</u></u> |

No business segment analysis of the Group's turnover and profit from operations is presented as all the Group's turnover and profit from operations are generated from the design, manufacture, distribution and retailing of optical products.

### 3 Acquisition of subsidiaries

In April 2001, the Group further increased its shareholding in two associates, Liberty Optical, Inc. and M+M Holding GmbH Lorch, and accordingly the two associates became subsidiaries of the Group. The aggregate turnover and net assets of these two subsidiaries constituted approximately 30% and 2% of the consolidated turnover and net assets respectively in the interim financial report.

### 4 Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

|                                       | <b>Six months ended</b> |                 |
|---------------------------------------|-------------------------|-----------------|
|                                       | <b>30 September</b>     |                 |
|                                       | <b>2001</b>             | <b>2000</b>     |
|                                       | HK\$'000                | HK\$'000        |
|                                       |                         | <b>Restated</b> |
| Interest on borrowings                | 21,994                  | 28,655          |
| Depreciation                          | 33,185                  | 24,670          |
| Amortisation of trademarks            | 119                     | 70              |
| Amortisation of goodwill              | 979                     | 771             |
| Net loss on disposal of fixed assets  | 284                     | —               |
| Dividend income on listed investments | (89)                    | (46)            |
| Interest income                       | <u>(12,846)</u>         | <u>(4,837)</u>  |

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## 5 Taxation

|                               | Six months ended     |                      |
|-------------------------------|----------------------|----------------------|
|                               | 30 September         |                      |
|                               | 2001                 | 2000                 |
|                               | HK\$'000             | HK\$'000             |
| Hong Kong taxation            | 11,461               | 14,037               |
| Overseas taxation             | <u>535</u>           | <u>34</u>            |
|                               | 11,996               | 14,071               |
| Share of associates' taxation | <u>—</u>             | <u>—</u>             |
|                               | <u><u>11,996</u></u> | <u><u>14,071</u></u> |

The provision for Hong Kong profits tax is calculated at 16% (2000:16%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

## 6 Dividends

(a) *Dividend attributable to the interim period*

|   | Six months ended     |                      |
|---|----------------------|----------------------|
|   | 30 September         |                      |
|   | 2001                 | 2000                 |
|   | HK\$'000             | HK\$'000             |
| Interim dividend declared after the<br>interim period end of HK1.4 cents<br>(2000: HK2.4 cents) per share | <u><u>28,338</u></u> | <u><u>48,222</u></u> |

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

**6 Dividends (continued)**

(b) Dividend attributable to the previous financial year, approved and payable during the interim period

|   | <b>At 30<br/>September<br/>2001<br/>HK\$'000</b> | <b>At 30<br/>September<br/>2000<br/>HK\$'000<br/>Restated</b> |
|---|--|---|
| Final dividend in respect of the previous financial year, approved and payable during the interim period, of HK1.0 cent (2000: HK2.6 cents) per share | <u>20,513</u>                                    | <u>52,361</u>   |

**7 Earnings per share**

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$86,431,000 (2000 (restated): HK\$135,166,000) and the weighted average number of ordinary shares of 2,040,264,811 (2000: 2,009,329,776) in issue during the period.

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the adjusted profit attributable to shareholders of HK\$88,895,000 (2000 (restated): HK\$137,630,000) and the weighted average number of ordinary shares of 2,173,885,501 (2000: 2,143,812,535) after adjusting for the effects of all dilutive potential ordinary shares.

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## 7 Earnings per share (continued)

(c) Reconciliations

|   | <b>Six months ended</b> |                       |
|---|-------------------------|-----------------------|
|   | <b>30 September</b>     |                       |
|   | <b>2001</b>             | <b>2000</b>           |
|   | HK\$'000                | HK\$'000              |
|   |                         | <b>Restated</b>       |
| Profit attributable to shareholders   | 86,431                  | 135,166               |
| Increase in earnings arising from<br>a saving in interest cost, net of tax<br>(assuming the convertible notes<br>had been converted into shares<br>in the Company at the date of issue) | <u>2,464</u>            | <u>2,464</u>          |
| Adjusted profit attributable<br>to shareholders   | <u><u>88,895</u></u>    | <u><u>137,630</u></u> |

|   | <b>Six months ended</b>     |                             |
|---|-----------------------------|-----------------------------|
|   | <b>30 September</b>         |                             |
|   | <b>2001</b>                 | <b>2000</b>                 |
|   | <b>Number of</b>            | <b>Number of</b>            |
|   | <b>shares</b>               | <b>shares</b>               |
| Weighted average number of<br>ordinary shares used in calculating<br>basic earnings per share   | 2,040,264,811               | 2,009,329,776               |
| Deemed issue of ordinary shares for<br>convertible notes  | <u>133,620,690</u>          | <u>134,482,759</u>          |
| Weighted average number of<br>ordinary shares used in calculating<br>diluted earnings per share | <u><u>2,173,885,501</u></u> | <u><u>2,143,812,535</u></u> |

**8 Trade and other receivables**

(a)

|   | <b>At<br/>30 September<br/>2001<br/>HK\$'000</b> | <b>At<br/>31 March<br/>2001<br/>HK\$'000</b> |
|---|--|--|
| Trade debtors and bills receivable          | 362,411  | 354,988                                      |
| Other debtors and prepayments               | 295,303  | 244,787                                      |
| Short-term loans                            | 95,000   | 67,860                                       |
| Staff loans                                 | 1,186  | 3,061  |
| Deposits for construction                   | 35,000   | —  |
| Promissory notes                            | 33,034   | 25,148                                       |
| Prepayment of subcontracting charges        | 117,353  | 113,754                                      |
| Amount due from ultimate<br>holding company | 2,236  | 2,229  |
| Amounts due from associates                 | 12,683   | 77,484                                       |
|   | <u>954,206</u>                                   | <u>889,311</u>                               |

- (i) All the short-term loans have been repaid subsequent to the balance sheet date.

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## 8 Trade and other receivables *(continued)*

- (b) Included in trade and other receivables are trade debtors and bills receivable (net of provisions for bad and doubtful debts) with the following ageing analysis:

|   | <b>At</b><br><b>30 September</b><br><b>2001</b><br>HK\$'000 | <b>At</b><br><b>31 March</b><br><b>2001</b><br>HK\$'000 |
|---|---|---|
| Current   | 141,659   | 119,343   |
| 1 to 3 months overdue   | 92,822  | 120,810   |
| More than 3 months overdue but<br>less than 12 months overdue | 108,154   | 104,826   |
| More than 12 months overdue                                   | <u>19,776</u>   | <u>10,009</u>   |
| Total trade debtors and bills<br>receivable                   | <u><u>362,411</u></u>                                       | <u><u>354,988</u></u>                                   |

The Group maintains a defined credit policy. The general credit term is between 60 days to 90 days.

## 9 Cash and cash equivalents

|                          | <b>At</b><br><b>30 September</b><br><b>2001</b><br>HK\$'000 | <b>At</b><br><b>31 March</b><br><b>2001</b><br>HK\$'000 |
|--------------------------|---|---|
| Deposits with banks      | 176,727   | 101,512   |
| Cash at bank and in hand | <u>122,896</u>  | <u>221,192</u>  |
|                          | <u><u>299,623</u></u>                                       | <u><u>322,704</u></u>                                   |

**10 Trade and other payables**

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis:

|   | <b>At<br/>30 September<br/>2001<br/>HK\$'000</b> | <b>At<br/>31 March<br/>2001<br/>HK\$'000</b> |
|---|--|--|
| Due within 1 month or on demand         | 76,236   | 56,772                                       |
| Due after 1 month but within 3 months   | 14,704   | 12,478                                       |
| Due after 3 months but within 6 months  | 5,929  | 4,165  |
|   | <u>96,869</u>                                    | <u>73,415</u>                                |
| Total trade creditors and bills payable | <u><u>96,869</u></u>                             | <u><u>73,415</u></u>                         |

**11 Share capital**

(a)

|   | <b>Number<br/>of shares</b> | <b>Amount<br/>HK\$'000</b> |
|---|-----------------------------|----------------------------|
| <b>Issued and fully paid:</b>                         |                             |                            |
| Ordinary share of HK\$0.10 each<br>at 1 April 2001    | 2,051,274,314               | 205,127                    |
| Repurchase and cancellation of<br>own shares (note b) | (27,158,000)                | (2,715)                    |
|   | <u>2,024,116,314</u>        | <u>202,412</u>             |
| At 30 September 2001                                  | <u><u>2,024,116,314</u></u> | <u><u>202,412</u></u>      |



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## 11 Share capital (continued)

- (b) During the period, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

| Month of purchase | Number of ordinary shares of HK\$0.10 each | Price per share |          | Aggregate price HK\$'000 |
|-------------------|--|-----------------|----------|--------------------------|
|                   |  | Highest         | Lowest   |                          |
| April 2001        | 3,750,000                                  | HK\$0.58        | HK\$0.56 | 2,130                    |
| July 2001         | 6,910,000                                  | HK\$0.58        | HK\$0.56 | 3,936                    |
| August 2001       | 8,192,000                                  | HK\$0.58        | HK\$0.55 | 4,615                    |
| September 2001*   | 8,306,000                                  | HK\$0.57        | HK\$0.46 | 4,141                    |
|                   | <u>27,158,000</u>                          |                 |          | <u>14,822</u>            |

The above shares were cancelled upon repurchase and accordingly the issued share capital was diminished by the nominal value of these shares. The premium payable on repurchase was charged against share premium account.

- \* An additional of 840,000 shares have been repurchased in September 2001 but not yet cancelled in September 2001. Such repurchase is not included in this figure.

**11 Share capital (continued)**

- (c) Pursuant to an ordinary resolution passed on 6 September 1993, a Share Option Scheme was adopted whereby the directors of the Company, at their discretion, are authorised to invite any employees or directors, including executive and non-executive directors of any company of the Group, to take up options to subscribe for shares not exceeding 10% of the issued share capital of the Company. The options are exercisable for a period of up to five years following the date of granting of the options.

On 27 December 2000, share options were granted under the Share Option Scheme to eligible directors and employees to subscribe for 70,930,000 shares of HK\$0.10 each in the Company at a subscription price of HK\$0.62 per share. No consideration was received by the Company for options granted.

A total of 57,000,000 share options were granted to employees in a position of managerial level or above. The options are divided into three portions and are exercisable as follows:

|           | <b>Number of<br/>share options</b> | <b>Exercisable period<br/>(both dates inclusive)</b> |
|-----------|------------------------------------|--|
| Portion A | 14,250,000                         | 6 September 2001 to 5 September 2002                 |
| Portion B | 21,375,000                         | 27 December 2000 to 5 September 2002                 |
| Portion C | <u>21,375,000</u>                  | 6 September 2002 to 5 September 2003                 |
|           | <u><u>57,000,000</u></u>           |  |

Both portions B and C are exercisable only under certain conditions. The exercisable period for portion B may be extended for one year under certain conditions.

A total of 13,930,000 share options were granted to employees in a position of assistant manager level or below. Half of the options are exercisable during the period from 1 January 2002 to 5 September 2003, both dates inclusive; and the remaining balance are exercisable on 5 September 2003.

None of the share options were exercised during the period.

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## 11 Share capital (continued)

- (d) As at 30 September 2001, the Group had outstanding convertible notes which can be converted to a maximum of approximately 133,620,690 shares of HK\$0.10 each in the Company.

## 12 Reserves

|  | Property<br>revaluation<br>reserve<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Exchange<br>fluctuation<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|------------------------------|--|---------------------------------|-------------------|
| At 1 April 2000  |  |                              |  |                                 |                   |
| — as previously reported   | 39,681   | 194,058                      | 1,625  | 747,184                         | 982,548           |
| — changes in accounting<br>policies with respect to:                                 |  |                              |  |                                 |                   |
| — dividends (note 1(a))  | —  | —                            | —  | 52,361                          | 52,361            |
| — goodwill (note 1(b))   | —  | —                            | —  | 27,276                          | 27,276            |
|  | <hr/>  | <hr/>                        | <hr/>  | <hr/>                           | <hr/>             |
| — as restated  | 39,681   | 194,058                      | 1,625  | 826,821                         | 1,062,185         |
| Exchange differences in respect<br>of net investments in<br>foreign subsidiaries     | —  | —                            | (7,644)  | —                               | (7,644)           |
| Realisation on disposal<br>of fixed assets   | (6,115)  | —                            | —  | 6,115                           | —                 |
| Shares issued in lieu of dividends   | —  | (4,740)                      | —  | 26,993                          | 22,253            |
| Repurchase and<br>cancellation of own shares   | —  | (5,072)                      | —  | —                               | (5,072)           |
| Final dividends approved<br>in respect of the previous<br>financial year (note 6(b)) | —  | —                            | —  | (52,361)                        | (52,361)          |
| Interim dividends declared<br>and paid during the year                               | —  | —                            | —  | (48,469)                        | (48,469)          |
| Profit for the year (as restated)  | —  | —                            | —  | 198,939                         | 198,939           |
|  | <hr/>  | <hr/>                        | <hr/>  | <hr/>                           | <hr/>             |
| At 31 March 2001   | <u>33,566</u>                                  | <u>184,246</u>               | <u>(6,019)</u>                                 | <u>958,038</u>                  | <u>1,169,831</u>  |

**12 Reserves** (continued)

|   | <b>Property<br/>revaluation<br/>reserve<br/>HK\$'000</b> | <b>Share<br/>premium<br/>HK\$'000</b> | <b>Exchange<br/>fluctuation<br/>reserve<br/>HK\$'000</b> | <b>Retained<br/>profits<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|---|--|---------------------------------------|--|--|---------------------------|
| At 1 April 2001   |  |                                       |  |  |                           |
| — as previously reported  | 33,566   | 184,246                               | (6,019)  | 908,350                                  | 1,120,143                 |
| — changes in accounting<br>policies with respect to:  |  |                                       |  |  |                           |
| — dividends (note 1(a))   | —  | —                                     | —  | 20,513                                   | 20,513                    |
| — goodwill (note 1(b))  | —  | —                                     | —  | 29,175                                   | 29,175                    |
| — as restated   | 33,566   | 184,246                               | (6,019)  | 958,038                                  | 1,169,831                 |
| Exchange differences in respect<br>of net investments in<br>foreign subsidiaries                        | —  | —                                     | (289)  | —  | (289)                     |
| Repurchase and<br>cancellation of own shares  | —  | (12,107)                              | —  | —  | (12,107)                  |
| Final dividends approved<br>in respect of the previous<br>financial year (note 6(b))                    | —  | —                                     | —  | (20,513)                                 | (20,513)                  |
| Interim dividends declared<br>and paid to minority<br>shareholders of a<br>subsidiary during the period | —  | —                                     | —  | (164)                                    | (164)                     |
| Profit for the period   | —  | —                                     | —  | 86,431                                   | 86,431                    |
| At 30 September 2001  | <u>33,566</u>  | <u>172,139</u>                        | <u>(6,308)</u>   | <u>1,023,792</u>                         | <u>1,223,189</u>          |

## 13 Material related party transactions

### *Transactions with associates*

- (i) During the period, the Group sold to and purchased from a company optical frames under the same terms as those available to other customers under normal course of business. Total sales and purchases of optical frames to and from the company for the period amounted to HK\$8,617,000 and HK\$298,000 respectively. The company became an associate of the Group on 25 September 2001. Net amount due from the associate amounted to HK\$12,145,000 as at 30 September 2001.

In addition, the Group granted loans to the company amounting to HK\$6,870,000 during the period. The loans outstanding at 30 September 2001 amounted to HK\$6,870,000. The balance is unsecured, interest-free and has no fixed terms of repayment.

- (ii) During the period ended 30 September 2000, the Group sold to its associates optical frames amounting to HK\$21,396,000 under the same terms as those available to other customers under normal course of business. In addition, the Group granted loans to the associates in prior periods. The loans outstanding at 30 September 2000 amounted to HK\$7,674,000. The associates became subsidiaries of the Group in April 2001 as set out in note 3.

## 14 Capital commitments outstanding not provided for in the Group's accounts

At 30 September 2001, the Group had the following capital commitments outstanding and not provided for in the interim financial report:

|                | <b>At<br/>30 September<br/>2001<br/>HK\$'000</b> | <b>At<br/>31 March<br/>2001<br/>HK\$'000</b> |
|----------------|--|--|
| Contracted for | <u>33,186</u>                                    | <u>—</u>                                     |

## 15 Comparative figures

Comparative figures have been restated based on the changes in accounting policies as set out in note 1 on the interim financial report.

## 16 Approval of interim financial report

The interim financial report was approved by the Board on 13 December 2001.

# Interim Report 2002

## Interim dividend

The directors recommended an interim dividend of HK1.4 cent (2000: HK2.4 cents) per share to shareholders whose names appear on the register of members of the Company on 18 January 2002.

It is expected that cheques for payment of the interim dividends will be despatched to those entitled on or before 18 March 2002.

## Closure of register of members

The register of members of the Company will be closed from 14 January 2002 to 18 January 2002 both days inclusive, during which period, no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Central Registration Hong Kong Limited at Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00p.m. on 11 January 2002.

## Business Review

### Financial Highlights

The Group's consolidated turnover for the period under review was HK\$530,149,000, an increase of 10% as compared with HK\$480,086,000 recorded in the corresponding period last year. The net profit attributable to shareholders amounted to HK\$86,431,000, represents a decrease of 36% compared with last year.

Turnover by business segments in manufacturing, distribution and retailing was 35%, 59% and 6% respectively of total turnover, compared to 55%, 39% and 6% in the last corresponding period. It reflects the Group's efforts deployed in successfully transforming from an ODM manufacturer to an integrated manufacturing distributor.

## **Distribution**

The consolidation of the eyewear industry has been accelerated by the rapid change of fashion trend, and the slow growth of the markets in the past few years. As a result of this, both of the supply and value chains of the industry are experiencing needs of significant modification. The management has well anticipated such development trend in the industry, so long term strategies have been devised to cope with the future situation back in a few years ago.

This is the driving force for the Group's endeavor to develop downstream integration into the distribution sector. Recently the Group has achieved major breakthroughs in this respect.

In a nutshell, the Group's combined distribution network in the world presently employs more than 300 sales professionals selling branded eyewear to about 40,000 optical specialty shops worldwide. The network distributes over 20 international renowned licensed brands and 10 own brands to more than 70 countries through its 16 subsidiaries and over 50 qualified distributors worldwide.

### *Europe*

The Group has taken two significant moves to realize its expansion plan in Europe. Firstly, in July 2001 the Group acquired Italy's fifth largest distributor, Filos S.p.A. ("Filos"). Secondly, the Group further merged its subsidiary company, Metzler Optik Partner AG ("Metzler") with Filos in October 2001.

The moves have significant implications on the Group's globalization plan. Metzler and Filos have their respective presence in northern Europe and southern Europe; the combined sales network reaches 20,000 optical stores in the European markets overall. Moreover, the Group's licensed brand portfolio is further enriched with the inclusion of more international renowned brands. To name a few, they are Vivienne Westwood, Krizia, Kappa and Revlon.



# Interim Report 2002

## *United States*

In April, the Group acquired the remaining 50% of its associated company in the U.S. to become its wholly owned subsidiary. Despite the further lackluster economic environment in the U.S. after the September 11th incident, the performance of the Group's subsidiary was satisfactory. Backed up by an effective sales and marketing and logistics system, the U.S. operation is providing direct services to 8,000 optician customers.

## *Asia Pacific*

Confronting with the adverse economic conditions in the region, the Group's "mid-priced market strategy" has nevertheless been able to secure its leadership position in the marketplace. Different countries in the region have diverse developments; the more well-performed countries are the Philippines, Malaysia and Indonesia, while Hong Kong and Singapore are being stable. The Group is now serving altogether 4,000 doors in the region.

As mentioned above, thanks to the Europe venture, more international licensed brands have been added to the Group's brand portfolio. The management has thus utilized this opportunity to introduce more new brands into the Asia Pacific market.

## *The PRC*

The results achieved in the segment for the period under review is encouraging, despite the keen competition in the market. The Group has been able to maintain its leading position in the area by establishing a strong distribution network with brands of the mid-priced segment well received by the market. Moreover, the Group's PRC market would also enjoy the synergy effects brought by the Europe venture. That is, more new brands would also be introduced into the PRC market. The benefits to the Group's business in this segment would be more long term, as the market potential is believed to be even more affluent following the PRC's accession to the World Trade Organization.

## **Manufacturing**

The performance of the Group's ODM business in the U.S., one of the major markets for the ODM business, has slowed down. It was partly due to the adverse impact of the September 11th incident, and partly due to the Group's diversion to distribution business in the U.S. Nonetheless, they are in line with the management's planning, as the Group has been aggressively expanding its distribution business.

Metzler and newly acquired Filos have respectively created synergy effect to the Group's manufacturing capability. The merged entity represents a powerful combination by utilizing the advanced technology know-how from Metzler, sophisticated design capability from Filos and low-cost production from the Group's manufacturing arm.

The Group's optical parts and accessories manufacturing and distribution arms have recently been awarded an international widely accepted ISO 9001:2000 certification. It has not only proved the committed effort of the Group in upgrading its product quality, but has also enabled the Group to perfect its vertical integration strategy.

## **Retailing**

The economic atmosphere in the PRC has generally improved following its successful accession to the World Trade Organization. Currently the Group has 23 shops in Shanghai, the PRC, having market share of approximately 10%. Coupled with the chain's well market positioning, profit margin maintained a sustainable growth despite the stiff market competition.

The Managed Care Vision Program has achieved outstanding results. The Program has recruited 120 corporate accounts with large commercial corporations representing more than 50,000 members. The Student Vision Care Program has been popular among the educational institutions; presently it has recruited 52,000 university student members coming from 6 major universities.

## Prospects

### **Global Manufacturing-Distribution Integration Achieves Business Efficiency**

The Europe venture represents a significant milestone of the Group's marching into the global distribution market. With the support of strong manufacturing capabilities, the manufacturing-distribution integration provides the Group with the driving force for further promising growth. Moreover, with the applications of advanced technology, as well as the full operation of the ERP system, the management is confident in achieving higher business efficiency. This is conducted through streamlining organization structure of various merged entities, improving Just-in-Time production management and optimizing inventory level due to more advanced information exchange.

### **The PRC Business Restructure**

To take advantage of the PRC Government's recent reforms of its laws allowing for the listing of joint stock companies with foreign interests on the stock exchanges in the PRC, the Group intends to set up a joint stock company in Shanghai, the PRC, to hold certain of the Group's operating assets involved in the company's PRC business. One of the purposes of the proposed restructuring is to segregate the operating assets of the PRC business from those of the Group's operating assets in other countries and to eventually integrate and streamline various segments of the company's PRC business operations, ranging from manufacturing, distribution to retailing, into one vertical line of operation under the joint stock company. The management team of the Group believes that the proposed restructuring of the company's PRC assets and businesses will allow for better and more efficient use of the Group's resources and will also facilitate the Group's future business growth in the PRC. Also, the joint stock company may serve as a fund-raising platform for future financing opportunities for the Group's PRC business, either through PRC bank loans and/or through equity offerings in the PRC.

## Liquidity and Capital Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by bankers in Hong Kong.

During the six months ended 30 September 2001, the Group recorded a net cash inflow from operating activities of approximately HK\$97 million (2000: HK\$68 million). As at 30 September 2001, the current ratio of the Group was 3.94.

Taking into consideration the anticipated internally generated funds and the unutilized banking facilities, the Group believes that it has sufficient resources to meet its foreseeable capital expenditure and working capital requirements.

## Employees

As at 30 September, 2001, the number of employees of the Group was around 5,300 worldwide. The remuneration policy and package of the Group's employees are based on their performance, experience and prevailing industry. In addition, discretionary bonus, merit payments, and the grant of share options to eligible employees are linked to the profit performance of the Group and individual performance. Employees are also provided with appropriate training for better personal development and growth.

# Interim Report 2002

## Directors' interests in shares

As at 30 September 2001, the beneficial interests of the directors in the shares of the Company (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register kept by the Company under Section 29 of the SDI Ordinance were as follows:

|                     | Number of Ordinary Shares |                  |                     |                      |
|---------------------|---------------------------|------------------|---------------------|----------------------|
|                     | Personal interests        | Family interests | Corporate interests | Other interests      |
| Ma Bo Kee           | —                         | —                | —                   | 818,151,323 (note 1) |
| Ma Bo Fung          | —                         | —                | —                   | 818,151,323 (note 1) |
| Ma Bo Lung          | —                         | —                | —                   | 818,151,323 (note 1) |
| Ma Lit Kin, Cary    | —                         | —                | —                   | 824,599,932 (note 2) |
| Ma Ho Kin, Dennis   | 41,921                    | —                | —                   | 824,220,601 (note 3) |
| Lee Sin Mei, Olivia | 213,352                   | —                | —                   | —                    |
| Chan Wing Wah       | 5,000,472                 | —                | —                   | —                    |

Notes:

1. These shares are owned by KFL Holdings Limited, the entire capital of which is held by BNP Jersey Trust Corporation Limited as trustee for the Ma Family Trust, a discretionary trust whose objects include Messrs Ma Bo Kee, Ma Bo Fung, Ma Bo Lung, Ma Lit Kin, Cary, Ma Hon Kin, Dennis and their family members.
2. 818,151,323 of these shares are held as note 1 above. In addition, 6,448,609 of these shares are held by United Will Holdings Limited for and on behalf of Mr Ma Lit Kin, Cary.
3. 818,151,323 of these shares are held as note 1 above. In addition, 6,069,278 of these shares are held by United Will Holdings Limited for and on behalf of Mr Ma Hon Kin, Dennis.

Save as disclosed above and other than shares in subsidiaries held by the directors in trust for the Company, as at 30 September 2001, none of the directors or their respective associates had any interest in the share capital of the Company (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company under Section 29 of the SDI Ordinance.

## Directors' rights to acquire shares

The directors of the Company had the following personal interests as at 30 September 2001 in share options issued on 27 December 2000 to subscribe for shares of HK\$0.10 each in the Company, at a subscription price of HK\$0.62 per share, under the Share Option Scheme of the Company.

|                      | <b>Number of<br/>options<br/>outstanding</b> |
|----------------------|--|
| Ma Bo Kee            | 5,000,000                                    |
| Ma Bo Fung           | 5,000,000                                    |
| Ma Bo Lung           | 5,000,000                                    |
| Ma Lit Kin, Cary     | 5,000,000                                    |
| Ma Hon Kin, Dennis   | 3,000,000                                    |
| Wong Piu Lung, Peter | 3,000,000                                    |
| Tong Ka Wai, Dicky   | 3,000,000                                    |
|                      | <u>29,000,000</u>                            |

The share options are exercisable in different periods under certain conditions as set out in note 11(c) on the interim financial report. No consideration was received by the Company for the options granted.

None of the directors exercised their options to acquire shares during the period.

Saved as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiary companies, a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **Substantial interests in the share capital of the Company**

As at 30 September 2001, save for certain directors' interests in the share capital of the Company as disclosed above, no other person was recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance as having an interest of 10% or more of the issued share capital of the Company.

### **Disclosure under practice note 19 to the Main Board Listing Rules**

On 22 February 2001, the Group obtained a three year syndicated loan of HK\$400,000,000 of which HK\$200,000,000 is covered by a term loan facility and HK\$200,000,000 by a revolving credit facility. The purpose of the syndicated loan is to refinance the old syndicated loan facility, to finance the expansion of production facilities and the distribution business of the Group and to meet the Group's general working capital requirements.

According to the terms of the loan agreement, the controlling shareholder (including Mr Ma Bo Kee, his family members, close relatives, related trusts and companies controlled by him, his close relatives or related trusts) is required to maintain at least 40% interests, in aggregate, of the issued share capital of the Company. Breach of such obligation will cause a default in respect of the loan that is significant to the operations of the Group.

## Purchase, sale or redemption of the Company's listed securities

During the period, the Company made the following repurchase of its own shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") for the purpose of enhancing the net assets per share of the Company:

| Month of purchase | Number of ordinary shares of HK\$0.10 each | Price per share |          | Aggregate price<br><i>HK\$'000</i> |
|-------------------|--|-----------------|----------|------------------------------------|
|                   |  | Highest         | Lowest   |                                    |
| April 2001        | 3,750,000                                  | HK\$0.58        | HK\$0.56 | 2,130                              |
| July 2001         | 6,910,000                                  | HK\$0.58        | HK\$0.56 | 3,936                              |
| August 2001       | 8,192,000                                  | HK\$0.58        | HK\$0.55 | 4,615                              |
| September 2001*   | 8,306,000                                  | HK\$0.57        | HK\$0.46 | 4,141                              |
|                   | <u>27,158,000</u>                          |                 |          | <u>14,822</u>                      |

The above shares were cancelled upon repurchase and accordingly the issued share capital was diminished by the nominal value of these shares. The premium payable on repurchase was charged against share premium account.

- \* An additional of 840,000 shares have been repurchased in September 2001 but not yet cancelled in September 2001. Such repurchase is not included in this figure.

Apart from the foregoing, there has been no purchase, sale or redemption by the Company or any of its subsidiary companies of the Company's securities during the period.



# Interim Report 2002

## Interim Results

The interim results for the six months ended 30 September 2001 have been reviewed by the Audit Committee on 11 December 2001.

## Code of Best Practice

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for the six months ended 30 September 2001, in compliance with the "Code of Best Practice" as set out in Appendix 14 of the Main Board Listing Rules on The Stock Exchange of Hong Kong Limited, except that the non-executive directors are not appointed for any specific term of office but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

By Order of the Board

**Ma Bo Kee**

*Chairman*

Hong Kong, 13 December, 2001