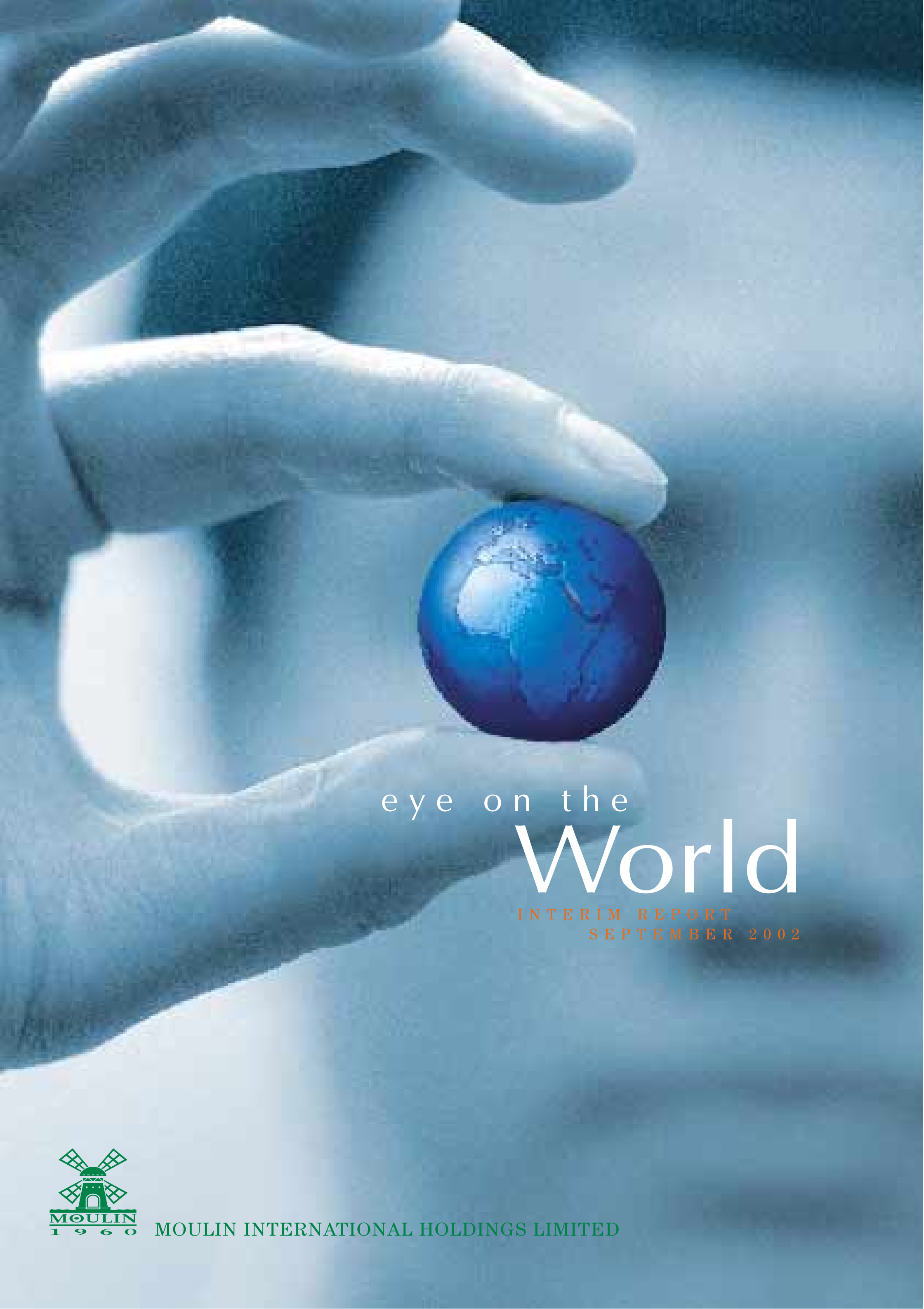

eye on the World

INTERIM REPORT
SEPTEMBER 2002

MOULIN INTERNATIONAL HOLDINGS LIMITED

INTERIM RESULTS

The directors are pleased to announce the unaudited condensed consolidated interim results of Moulin International Holdings Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 September 2002.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2002

	Notes	Six months ended 30 September 2002 (Unaudited) HK$'000	2001 (Unaudited) HK$'000 (Restated)
TURNOVER	2	**616,250**	530,149
Cost of sales		**(260,507)**	(225,711)
Gross profit		**355,743**	304,438
Other revenue	3	**19,003**	16,817
Selling and distribution costs		**(97,954)**	(72,615)
Administrative expenses		**(128,966)**	(121,938)
Other operating expenses, net		**(34,633)**	(15,052)
Restructuring costs	4	**(10,179)**	–
PROFIT FROM OPERATING ACTIVITIES	5	**103,014**	111,650
Finance costs	6	**(28,210)**	(23,446)
PROFIT BEFORE TAX		**74,804**	88,204
Tax	7	**(10,031)**	(11,996)
PROFIT BEFORE MINORITY INTERESTS		**64,773**	76,208
Minority interests		**5,339**	10,223
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**70,112**	86,431
INTERIM DIVIDEND	8	**22,569**	28,338
EARNINGS PER SHARE	9		
Basic		**17.40 cents**	21.18 cents
Diluted		**17.38 cents**	20.45 cents

CONDENSED CONSOLIDATED BALANCE SHEET
30 September 2002

	Notes	30 September 2002 (Unaudited) HK$'000	31 March 2002 (Audited) HK$'000
NON-CURRENT ASSETS			
Fixed assets		**769,651**	770,666
Intangible assets		**17,539**	13,020
Goodwill		**209,074**	200,799
Long term investments		**35,547**	35,547
Promissory notes		**40,595**	40,595
Staff loans		**4,281**	5,614
Prepayments for frame board space		**43,368**	50,130
		1,120,055	1,116,371
CURRENT ASSETS			
Inventories		**477,519**	449,508
Trade and other receivables	*10*	**1,069,849**	1,054,486
Tax recoverable		**1,086**	1,943
Short term investments		**1,656**	2,014
Cash and cash equivalents	*11*	**357,752**	377,898
		1,907,862	1,885,849
CURRENT LIABILITIES			
Trade and other payables and accruals	*12*	**318,995**	312,729
Provisions for restructuring		**4,584**	6,810
Tax payable		**16,397**	6,720
Dividend payable		**30,100**	–
Interest-bearing bank borrowings		**399,669**	495,178
Current portion of finance lease and hire purchase contract payables		**16,549**	17,462
Convertible notes		**101,400**	–
		887,694	838,899
NET CURRENT ASSETS		**1,020,168**	1,046,950
TOTAL ASSETS LESS CURRENT LIABILITIES – page 3		**2,140,223**	2,163,321

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*
30 September 2002

	Note	**30 September 2002 (Unaudited)** *HK$'000*	31 March 2002 (Audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES – page 2		**2,140,223**	2,163,321
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**658,342**	604,303
Long term portion of finance lease and hire purchase contract payables		**17,236**	16,904
Convertible notes		**15,600**	117,000
Deferred tax		**4,500**	4,500
		695,678	742,707
MINORITY INTERESTS		**(1,244)**	(2,403)
		1,445,789	1,423,017
CAPITAL AND RESERVES			
Issued capital	*13*	**201,508**	200,665
Reserves		**1,221,712**	1,192,252
Proposed dividend		**22,569**	30,100
		1,445,789	1,423,017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2002

	Share capital (Unaudited) *HK$'000*	Share premium account (Unaudited) *HK$'000*	Property revaluation reserve (Unaudited) *HK$'000*	Exchange fluctuation reserve (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Proposed dividend (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1 April 2001							
As previously reported	205,127	184,246	33,566	(6,019)	908,350	–	1,325,270
Prior year adjustment *(note)* with respect to:							
– dividend	–	–	–	–	–	20,513	20,513
– goodwill	–	–	–	–	3.441	–	3,441
As restated	205,127	184,246	33,566	(6,019)	911,791	20,513	1,349,224
Repurchase and cancellation of own shares	(2,715)	(12,107)	–	–	–	–	(14,822)
Final dividend declared in respect of the previous financial year	–	–	–	–	–	(20,513)	(20,513)
Exchange realignments	–	–	–	(289)	–	–	(289)
Net gains and losses not recognised in the consolidated profit and loss account	202,412	172,139	33,566	(6,308)	911,791	–	1,313,600
Net profit for the period	–	–	–	–	86,431	–	86,431
Interim dividend	–	–	–	–	(28,338)	28,338	–
Interim dividend declared and paid to minority shareholders of a subsidiary during the period	–	–	–	–	(164)	–	(164)
At 30 September 2001	202,412	172,139	33,566	(6,308)	969,720	28,338	1,399,867

Note: The prior year adjustment represented change in accounting policies with respect to dividend and goodwill which was disclosed in the Group's audited consolidated financial statements for the year end 31 March 2002.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*
For the six months ended 30 September 2002

	Share capital (Unaudited) *HK$'000*	Share premium account (Unaudited) *HK$'000*	Property revaluation reserve (Unaudited) *HK$'000*	Exchange fluctuation reserve (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Proposed dividend (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1 April 2002	200,665	163,778	33,566	(1,801)	996,709	30,100	1,423,017
Final dividend declared in respect of previous financial year	–	–	–	–	–	(30,100)	(30,100)
Repurchase and cancellation of own shares	(466)	(2,250)	–	–	–	–	(2,716)
Share option exercised	1,309	6,809	–	–	–	–	8,118
Exchange realignments	–	–	–	(22,642)	–	–	(22,642)
Net gains and losses not recognised in the consolidated profit and loss account	201,508	168,337	33,566	(24,443)	996,709	–	1,375,677
Net profit for the period	–	–	–	–	70,112	–	70,112
Interim dividend	–	–	–	–	(22,569)	22,569	–
At 30 September 2002	201,508	168,337	33,566	(24,443)	1,044,252	22,569	1,445,789
Retained by: Company and subsidiaries At 30 September 2002	201,508	168,337	33,566	(24,443)	1,044,252	22,569	1,445,789
Company and subsidiaries At 30 September 2001	202,412	172,139	33,566	(6,308)	969,720	28,338	1,399,867

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2002

	Six months ended 30 September	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Net cash inflow from operating activities	**46,750**	45,219
Net cash inflow/(outflow) from investing activities	**(40,496)**	42,259
Net cash outflow from financing activities	**(52,716)**	(130,250)
Decrease in cash and cash equivalents	**(46,462)**	(42,772)
Cash and cash equivalents at beginning of period	**278,483**	317,066
Effect of foreign exchange rate changes, net	**10,249**	226
Cash and cash equivalents at end of period	**242,270**	274,520
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**62,391**	122,896
Non-pledged time deposits with original maturity of less than three months when acquired	**295,361**	176,727
	357,752	299,623
Bank overdrafts	**(115,482)**	(25,103)
	242,270	274,520

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2002

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and basis of presentation used in the preparation of these unaudited condensed consolidated interim financial statements are the same as those used in the Group's audited financial statements for the year ended 31 March 2002, except for the following new or revised SSAPs which have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

- SSAP 1 (Revised) : "Presentation of Financial Statements"
- SSAP 11 (Revised) : "Foreign Currency Translation"
- SSAP 15 (Revised) : "Cash Flow Statements"
- SSAP 34 : "Employee Benefits"

A summary of their major effects is as follows:

(a) SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity.

(b) SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP is that the profit and loss accounts of overseas subsidiaries are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This change, which has been applied prospectively as allowable under the transitional provisions of this SSAP, does not give rise to a material effect on the condensed consolidated financial statements.

(c) SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

(d) SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on these condensed consolidated financial statements.

2. TURNOVER AND SEGMENT INFORMATION

Segment information is presented by way of geographical segment. No business segment analysis of the Group's revenue and results is presented as all the Group's revenue and results are generated from vertically integrated activities which include the design, manufacture, distribution and retailing of optical products.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

Geographical segments

The following table presents revenue and results for the Group's geographical segments.

Group

	North America Six months ended		People's Republic of China ("PRC") Six months ended		Asia Pacific (including Hong Kong) Six months ended		Europe Six months ended		Corporate and others Six months ended		Consolidated Six months ended	
	30.09.2002 (Unaudited) *HK$'000*	30.09.2001 (Unaudited) *HK$'000*	30.09.2002 (Unaudited) *HK$'000*	30.09.2001 (Unaudited) *HK$'000*	30.09.2002 (Unaudited) *HK$'000*	30.09.2001 (Unaudited) *HK$'000*	30.09.2002 (Unaudited) *HK$'000*	30.09.2001 (Unaudited) *HK$'000*	30.09.2002 (Unaudited) *HK$'000*	30.09.2001 (Unaudited) *HK$'000*	30.09.2002 (Unaudited) *HK$'000*	30.09.2001 (Unaudited) *HK$'000*
Segment revenue:												
Sales to external customers	142,107	126,357	123,916	113,661	58,242	56,972	290,797	231,551	1,188	1,608	616,250	530,149
Other revenue	1,606	545	1,287	531	437	772	7,076	1,735	1,758	299	12,164	3,882
Total	143,713	126,902	125,203	114,192	58,679	57,744	297,873	233,286	2,946	1,907	628,414	534,031
Segment results	24,197	27,792	48,315	47,479	15,612	10,872	6,593	8,010	1,458	4,562	96,175	98,715
Interest and dividend income											6,839	12,935
Profit from operating activities											103,014	111,650
Finance costs											(28,210)	(23,446)
Profit before tax											74,804	88,204
Tax											(10,031)	(11,996)
Profit before minority interests											64,773	76,208
Minority interests											5,339	10,223
Net profit from ordinary activities attributable to shareholders											70,112	86,431

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
30 September 2002

3. OTHER REVENUE

An analysis of other revenue is as follows:

	Six months ended 30 September	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**6,839**	12,846
Rental income	**321**	230
Dividend income from listed investments	**–**	89
Subcontracting income	**2,089**	–
Management fee income	**716**	24
Others	**9,038**	3,628
	19,003	16,817

4. RESTRUCTURING COSTS

Restructuring costs, comprising compensation for redundant staff, removal costs and restructuring advisory fees, were incurred for continuous restructuring processes of distribution business in Europe and the North America during the period.

5. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30 September	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**260,507**	225,711
Amortisation of intangible assets	**1,703**	119
Amortisation of goodwill	**7,673**	979
Depreciation	**33,392**	33,185
Loss on disposal of intangible assets	**224**	–
Gain on disposal of short term investments	**(2)**	–
Loss/(gain) on disposal of fixed assets	**(75)**	284

6. FINANCE COSTS

	Six months ended 30 September	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**26,733**	19,631
Interest on finance leases and hire purchase contracts	**516**	680
Interest on convertible notes	**791**	2,882
Total interest	**28,040**	23,193
Bank charges*	**170**	253
	28,210	23,446

* In the prior period, certain bank charges in the nature of general charges for day-to-day transactions were classified as finance costs. To accord with the presentation adopted in the current period, which in the opinion of the directors better reflects the underlying nature of the transactions, they have been reclassified to administrative expenses.

7. TAX

Hong Kong profits tax has been provided at the rate of 16% (six months ended 30 September 2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**8,189**	11,461
Elsewhere	**1,842**	535
Tax charge for the period	**10,031**	11,996

8. INTERIM DIVIDENDS

	Six months ended 30 September	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend of HK5.6 cents per ordinary share (six months ended 30 September 2001 (Restated): HK7.0 cents)	**22,569**	28,338

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
30 September 2002

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on:

Earnings	**Six months ended 30 September 2002 (Unaudited)** *HK$'000*	2001 (Unaudited) *HK$'000*
Net profit attributable to shareholders, used in the basic and diluted earnings per share calculation	**70,112**	86,431
Increase in earnings arising from a saving in interest costs, net of tax (assuming the convertible notes had been converted into shares in the Company at the date of issue)	**–**	2,464
Adjusted profit attributable to shareholders	**70,112**	88,895

Shares	**Six months ended 30 September 2002 (Unaudited)**	2001 (Unaudited) (Restated)
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**402,862,211**	408,052,962
Weighted average number of ordinary shares in issue at no consideration on deemed exercise of all share options outstanding during the period	**637,412**	–
Weighted average number of ordinary shares in issue at no consideration on deemed exercise of all convertible notes outstanding during the period	**–**	26,724,138
Weighted average number of ordinary shares used in diluted earnings per share calculation	**403,499,623**	434,777,100

As required by paragraph 42 of SSAP 5 "Earnings per share", the weighted average number of ordinary shares for the purpose of calculating basic earnings per share for 2002 and 2001 has been adjusted for the effect of share consolidation, approved on 6 September 2002, details of which are set out in note 13.

10. TRADE AND OTHER RECEIVABLES

	30 September 2002 (Unaudited) HK$'000	31 March 2002 (Audited) HK$'000
Trade debtors and bills receivable*	**475,075**	472,970
Other debtors and prepayments	**310,515**	310,226
Promissory notes	**27,078**	58,542
Staff loans	**3,843**	2,610
Due from a PRC subcontractor	**218,678**	181,551
Prepayments for frame board space	**13,524**	13,524
Due from the ultimate holding company	**21,136**	15,063
	1,069,849	1,054,486

* The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period from 60 to 90 days, but 120 days for major customers, and each customer has a maximum credit limit. An aged analysis of the trade debtors and bills receivable as at the balance sheet date, based on the invoice date, is as follows:

	30 September 2002 (Unaudited) HK$'000	31 March 2002 (Audited) HK$'000
Current	**151,758**	161,291
1 to 3 months	**133,142**	157,360
4 to 6 months	**104,032**	27,825
7 to 12 months	**90,374**	144,289
Over 12 months	**50,009**	29,791
	529,315	520,556
Provision for doubtful debts	**(54,240)**	(47,586)
	475,075	472,970

11. CASH AND CASH EQUIVALENTS

	30 September 2002 (Unaudited) HK$'000	31 March 2002 (Audited) HK$'000
Cash and bank balances	**62,391**	66,410
Time deposits	**295,361**	311,488
	357,752	377,898

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
30 September 2002

12. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals are trade creditors and bills payables of HK$197,213,000 (31 March 2002: HK$193,947,000). An aged analysis of the trade creditors and bills payable as at the balance sheet date, based on the payment due date, is as follows:

	30 September 2002 (Unaudited) ***HK$'000***	31 March 2002 (Audited) *HK$'000*
Current	**99,912**	88,313
1 to 3 months overdue	**71,574**	68,340
Over 3 months	**25,727**	37,294
	197,213	193,947

13. SHARE CAPITAL

	30 September 2002 (Unaudited) ***HK$'000***	31 March 2002 (Audited) *HK$'000*
Authorised:		
1,200,000,000 (31 March 2002: 6,000,000,000) ordinary shares of HK$0.50 each (31 March 2002: HK$0.10 each)	**600,000**	600,000
Issued and fully paid:		
403,015,562 (31 March 2002: 2,006,648,314) ordinary shares of HK$0.50 each (31 March 2002: HK$0.10 each)	**201,508**	200,665

A summary of the transactions during the period with reference to the above movements of the Company's ordinary share capital is as follows:

	Notes	**Number of issued shares**	**Share capital** *HK$'000*
At 1 April 2002		2,006,648,314	200,665
Share options exercised	*(a)*	13,093,500	1,309
Repurchase and cancellation of own shares	*(b)*	(3,414,000)	(341)
Consolidation of shares	*(c)*	(1,613,062,252)	–
Repurchase and cancellation of own shares	*(d)*	(250,000)	(125)
At 30 September 2002		403,015,562	201,508

Notes:

(a) The subscription rights attaching to 13,093,500 shares options were exercised at the subscription price of HK$0.62 per share, resulting in the issue of 13,093,500 ordinary shares of HK$0.10 each for a total cash consideration of HK$8,117,970.

13. SHARE CAPITAL *(continued)*

Notes: (continued)

(b) The Company repurchased 3,414,000 ordinary shares of HK$0.10 each through the Stock Exchange. Further details of this repurchase are set out under the heading "Purchase, Sale or Redemption of the Company's Listed Securities".

(c) Pursuant to a special resolution passed on 6 September 2002, every 5 issued and unissued ordinary shares of HK$0.10 each of the Company were consolidated into one ordinary share of HK$0.50 each (the "Consolidated Shares").

(d) The Company repurchased 250,000 Consolidated Shares of HK$0.50 each through the Stock Exchange. Further details of this repurchase are set out under the heading "Purchase, Sale or Redemption of the Company's Listed Securities".

14. RELATED PARTY TRANSACTIONS

The Group did not have any material transactions with related parties during the period.

15. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	30 September 2002 (Unaudited) ***HK$'000***	31 March 2002 (Audited) *HK$'000*
Bank guarantee given in lieu of deposits for licensing arrangement	**12,429**	9,971
Bills discounted with recourse	**355**	568
Guarantee given to banks in connection with facilities granted to a related company	**10,348**	9,224
	23,132	19,763

16. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties, motor vehicles and office equipment under operating lease arrangements, with leases negotiated for terms up to 5 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2002 (Unaudited) ***HK$'000***	31 March 2002 (Audited) *HK$'000*
Within one year	**23,890**	25,476
In the second to fifth years, inclusive	**33,456**	38,989
After five years	**45**	45
	57,391	64,510

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
30 September 2002

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following commitments at the balance sheet date:

	30 September 2002 (Unaudited) *HK$'000*	31 March 2002 (Audited) *HK$'000*
(a) Capital commitments		
Capital contribution to a subsidiary in the form of PRC joint stock company (RMB46,100,000)	**42,685**	42,685
Authorised, but not contracted for, in respect of the purchase of land use rights in the PRC (RMB15,000,000)	**13,889**	13,889
	56,574	56,574
(b) Other commitments		
Commitments contracted with banks in connection with bank loans waived in prior year	**19,528**	17,409

M+M Holding GmbH ("M+M"), a subsidiary of the Group, had a bank loan of DM5,000,000 (equivalent to EUR2,556,459) waived by the bank in the prior year. An agreement was signed between M+M and the banker in which M+M agreed to repay the banker on an installment basis at 20% of the net profit of M+M, commencing from the calendar year ended 31 December 2002, if M+M makes profit, and until the amount is fully paid.

18. POST BALANCE SHEET EVENTS

(a) On 25 October 2002, the Group signed a loan agreement with a syndicate of 12 international banks and financial institutions to raise a HK$440 million equivalent revolving credit and term loan facility. The proceeds of the facility will be used (i) to refinance the outstanding amount for the HK$400 million equivalent syndicated loan facility signed on 22 February 2001 (the "Existing Facility"), and after the full repayment and cancellation of the Existing Facility, then (ii) to partially redeem the convertible bonds of approximately HK$117 million and (iii) to finance the working capital requirements of the Group.

(b) On 13 September 2002, the Company entered into a deed of early redemption with Vintage Year Limited ("VYL") for the purpose of enabling the Company to redeem the convertible notes held by VYL in an aggregate amount of US$13,000,000 (the "VYL Notes"). The VYL Notes were redeemed by the Company in November 2002.

19. COMPARATIVE AMOUNTS

As further explained in note 1 to the financial statements, due to the adoption of certain new and revised SSAPs during the current period, certain comparative amounts in the condensed consolidated profit and loss account, cash flow statement and segment information have been reclassified to conform with the current period's presentation.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 18 December 2002.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK5.6 cents (six months ended 30 September 2001 (Restated): HK7.0 cents) per share for the period ended 30 September 2002, payable to shareholders whose names appear in the register of members of the Company on 17 January 2003.

Cheques for payment of the interim dividends are expected to be dispatched to those entitled on or before 18 March 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 January 2003 to 17 January 2003 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, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00p.m. on 10 January 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's consolidated turnover reached HK$616 million for the interim period ended 30 September 2002, representing a growth of approximately 16% as compared to the same period in last year. The growth was attributed to the 29% increase in the Group's Europe distribution business, which is consistent with the Group's long-term strategy. Europe continued to be the dominant market, which accounted for 47% of the turnover.

Compared with the last corresponding period, gross profit grew by 17% from HK$304 million to HK$356 million, representing 58% gross profit margin for the period under review. The Group's earnings before interest, tax, depreciation, amortisation and restructuring costs increased by 7% to HK$156 million compared with the last corresponding period – reflecting strong operations and ample cash flow.

Affected by the increase in amortisation of goodwill and restructuring costs (arising from the newly acquired distribution companies) profit attributable to shareholders decreased to HK$70 million. Nonetheless, the management believes that the majority of restructuring costs have been reflected in the period under review and are unlikely to recur in the future. The integration of its manufacturing and distribution arms has created substantial synergies resulting in increased European market share and tighter control of its distribution network. Throughout the restructuring period, the business will continue to be supported by the strong fundamentals of the Group.

Business Review

Global Manufacturing-Distribution Integration

During the period under review, the distribution business remains the key revenue driver with turnover for this segment increased to HK$358 million from HK$310 million for the last corresponding period, representing 58% of the Group's total turnover, strengthened by the synergy effects of integrating manufacturing, distribution, design and product development capabilities. As a result, a number of the Group's licensed and proprietary brands performed exceedingly well across multiple markets.

Confident in the ongoing progress of its vertical integration strategy, the Group increased its shareholdings in Metzler International AG ("MIAG") within the period under review. By capitalising on the unique combination of Italian design, German engineering and low-cost PRC manufacturing, MIAG is rapidly gaining reputation as a "next-generation" player in the global eyewear market. As such, MIAG was one of four leading eyewear companies and the only one in Asia granted the rights to use "Genium", a revolutionary new eyewear material noted for "feather weight", maximum surface density (hardness), and superior tensile strength, durability, stability and shape retention. The Group remains dedicated to continuously improving its technology standards in order to apply new materials and methods that will increase the quality and marketability of its products.

Europe

Subsequent to the completion of the major acquisitions during the past year, the Group's focus is directed towards the creation of a single, unified and highly organised business unit. These streamlining efforts have successfully shortened delivery times and accelerated the product development cycle within the Group. Leveraging the capabilities of the new MIAG Italian design center, the Group has successfully launched over 600 designs within the period under review.

United States

Despite the weakness of the local economy, turnover generated by the U.S. distribution market increased by 12% when compared to the corresponding figures of last period. Within the period under review, the Group successfully extended its US distribution network to additional "high-throughput" customers (such as chain stores and wholesalers), while simultaneously increasing its customer base of individual opticians via its direct sales force.

Asia Pacific

The Group's business in the Asia Pacific region remained stable during the period under review, with individual regions performing outstandingly well, such as Taiwan and the Philippines which have achieved significant sales growth. In Japan, the newly structured joint venture with the Japanese distribution unit continues to progress according to plan with products commencing to be delivered in the last quarter of 2002, the new joint venture is expected to make important contribution to the Group earnings in 2003.

The PRC Business: Integration of Manufacturing, Distribution and Retailing

Shanghai Moulin International Holdings Ltd, a sino-foreign joint stock company, has formally obtained its business license in October 2002. In addition to establishing the Group as the first to have set up such a sino-foreign joint stock company in the integrated manufacturing-distribution-retailing eyewear business in the PRC, confidence remains high that the establishment will provide a good foundation for further expansions in this lucrative market.

To cope with the Group's growth strategies in the PRC, the Group has set up its headquarters in Shanghai with the acquisition of a 2,150 sq.m. office space. The Group is consolidating the existing distribution operations in Beijing and Shanghai into this new headquarters.

To support the continuing development and growth of the integrated business in the PRC, the Group is also building a new plant in Chaoyang, the PRC. The new premises shall occupy a total production area of 10,000 sq.m., with a target production capacity of 2.4 million pairs of optical frames per annum.

America's Eyes, the Group's optical retail chain in the PRC, continued to experience satisfactory growth with a 12% increase in sales volumes. In addition to its twenty-four retail shops in Shanghai, the chain extended its coverage by opening its first stores in Nanjing and in Wuxi (franchised), respectively, during the period.

ODM/OEM Business

During the period under review, the ODM/OEM business grew by 19% as compared with the last corresponding period while maintaining profit margins at above 40%.

Based on quality products and sophisticated expertise, the Group successfully secured additional contracts with several large scale chain stores. The management is confident that the revenues of the ODM/OEM business will remain stable.

PROSPECTS

Europe as a future growth driver

The management remains confident that its fully integrated manufacturing-distribution model will provide a more stable growth environment compared to the traditional ODM/OEM business. Looking ahead, the Group will continue to capitalise the new "fusion benefits" of the consolidated global distribution business to capture improved earnings and achieve consistent, long-term growth. Driven by the vertically integrated strategy, it is anticipated that the distribution segment will account for approximately 70% of the Group's future turnover, with the remaining 30% attributable to the integrated PRC business and the ODM/OEM business. The management is also confident that its vertical integration strategy will attract additional licensing opportunities with internationally renowned brands capable of driving further growth.

Prudent yet aggressive expansion through franchising program in the PRC

Leveraging the popularity of its America's Eyes brand, and in view of the successful launch of its first franchised shop in Wuxi, the Group is committed to accelerating the growth of its PRC retailing business through its franchising program. In the near future, the Group will prudently seek franchising opportunities in other PRC cities adjacent to Shanghai. The Group seeks to leverage on the booming economy in the PRC as a means to experience exponential business growth generated by its franchising program.

FINANCIAL POSITION

As at 30 September 2002, the Group had approximately HK$358 million in cash on hand. The current ratio stood at 2.15, while the ratio of net bank borrowings over equity improved from 0.51 to 0.48. The ratio was calculated by dividing net bank borrowings of HK$700 million (31 March 2002: HK$722 million) by the total shareholders' equity of HK$1,446 million (31 March 2002: HK$1,423 million).

The retained profits as at 30 September 2002 have exceeded HK$1 billion, and the shareholders' fund was approaching HK$1.5 billion, which serves as a strong capital base for the Group for future expansion.

On 25 October 2002, the Group signed a loan agreement with a syndicate of 12 international banks and financial institutions to raise a HK$440 million equivalent revolving credit and term loan facility. The proceeds of the facility will be used (i) to refinance the outstanding amount of the HK$400 million equivalent syndicated loan facility signed on 22 February 2001 (the "Existing Facility"), and after the full prepayment and cancellation of the Existing Facility, then (ii) to partially redeem the convertible notes of approximately HK$117 million and (iii) to finance the working capital requirements of the Group.

The management believes that the partial redemption of the convertible notes is in the interests of the Company and its shareholders as this will remove the potential dilutive effect on the net asset value per share and/or earnings per share of the Company.

The Group had capital commitments totalling HK$57 million as at 30 September 2002. The capital commitments mainly related to the Group's investment project "Moulin China" in the PRC. Moreover, the Group had commitment of HK$20 million contracting with banks in connection with bank loans of its European subsidiaries waived in prior year and operating lease commitments of HK$57 million as at 30 September 2002.

As at 30 September 2002, the Group had contingent liabilities amounting to HK$23 million. The contingent liabilities were mainly in respect of guarantee in favour of banks in lieu of deposits for licensing arrangement and in connection with facilities granted to a related company.

The Group generally finances its operations with internally generated cash flows and facilities provided by banks in Hong Kong. Taking into consideration the anticipated internally generated funds and the available unutilised banking facilities, the Group believes that it has sufficient resources to meet its foreseeable capital expenditures and working capital requirements.

Pledge of Group assets

Certain of the Group's bank loans, other than those of the European subsidiaries, are secured by mortgages over certain of the Group's leasehold land and buildings, which had an aggregate net book value as at 30 September 2002 of approximately HK$48,055,000 (31 March 2002: HK$73,426,000).

Bank loans of the European subsidiaries totalling HK$405,274,000 (31 March 2002: HK$368,480,000), of which HK$315,718,000 (31 March 2002: HK$283,467,000) are secured by:

(a) leasehold land and buildings of the corresponding subsidiaries, which had an aggregate net book value as at 30 September 2002 of approximately HK$42,544,000 (31 March 2002: HK$38,312,000);

(b) fixed assets, excluding leasehold land and buildings, of the corresponding subsidiaries, which had an aggregate net book value as at 30 September 2002 of approximately HK$24,941,000 (31 March 2002: HK$27,942,000);

(c) collateralising inventories and accounts receivables of HK$112,614,000 (31 March 2002: HK$99,581,000) and HK$178,224,000 (31 March 2002: HK$194,972,000), respectively, of the corresponding subsidiaries; and

(d) the pledge of certain shares of a subsidiary, M+M Holding GmbH.

Segmental revenues and results

Europe was the major market of the Group for the six months ended 30 September 2002 and it accounted for 47% of the Group's segment revenue. Followed by North America and the PRC, which accounted for 23% and 20%, respectively. Asia Pacific (including Hong Kong) accounted for 9% and corporate and others accounted for the remaining 1%. The total segment revenue of the Group was HK$628,414,000 for the period.

For the six months ended 30 September 2002, the segment results of the Group were mainly contributed by the PRC and North America, which accounted for 50% and 25%, respectively. The total segment results of the Group was a profit of HK$96,175,000 for the period.

EMPLOYEES

As at 30 September 2002, the number of employees of the Group was around 4,600 worldwide. The remuneration policy and package of the Group's employees are based on their performance, experience and the prevailing market condition. 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 the individual performance. Employees are also provided with appropriate training for better personal development and growth.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2002, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Ordinary shares of the Company

Name of director	Personal Interests	Family Interests	Corporate interests	Other interests	*Notes*
Ma Bo Kee	250,000	–	–	164,509,464	*(a)*
Ma Bo Fung	250,000	–	–	164,509,464	*(a)*
Ma Bo Lung	250,000	–	–	164,509,464	*(a)*
Ma Lit Kin, Cary	250,000	–	–	165,799,185	*(b)*
Ma Hon Kin, Dennis	158,384	–	–	165,723,319	*(c)*
Tong Ka Wai, Dicky	150,000	–	–	–	
Lee Sin Mei, Olivia	42,670	–	–	–	
Chan Wing Wah, Ivan	1,000,094	–	–	–	

Notes:

(a) 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.

(b) 164,509,464 of these shares are held as note (a) above. In addition, 1,289,721 these shares are held by United Will Holdings Limited for and on behalf of Mr Ma Lit Kin, Cary.

(c) 164,509,464 of these shares are held as note (a) above. In addition, 1,213,855 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 2002, none of the directors or their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SHARE OPTION SCHEME

In 2001, The Stock Exchange of Hong Kong Limited announced changes to the Listing Rules which set out the revised requirements for share option schemes operated by listed companies. In this respect, the operation of the share option scheme adopted at the annual general meeting of the Company on 6 September 1993 (the "Old Scheme") was terminated upon the adoption of the New Scheme (as defined below). In such event, no further option shall be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable subject to and in accordance with the Old Scheme.

SHARE OPTION SCHEME *(continued)*

On 6 September 2002, at the annual general meeting, the Company adopted a new share option scheme (the "New Scheme"). The New Scheme is designed to enable the Company to grant options to selected participants as incentive or rewards for their contribution or potential contribution to the Group. No share options have been granted under the New Scheme as at 30 September 2002. Other details of the New Scheme were disclosed in the circular dated 12 August 2002.

Details of share options granted under the Old Scheme during the period were as follows:–

Grantee	At 1 April 2002	Exercised during the period	Lapsed during the period *(1)*	Cancelled during the period	At 30 September 2002 *(2)*	Date of grant of share options *(3)*	Exercise period of share options *(6)*	Exercise price of share options HK$ *(7)*
	Number of share options							
Director								
Ma Bo Kee	5,000,000	(1,250,000)	0	0	3,750,000	27 December 2000	27 December 2000 to 5 September 2003	3.10
Ma Bo Fung	5,000,000	(1,250,000)	0	0	3,750,000	27 December 2000	27 December 2000 to 5 September 2003	3.10
Ma Bo Lung	5,000,000	(1,250,000)	0	0	3,750,000	27 December 2000	27 December 2000 to 5 September 2003	3.10
Ma Lit Kin, Cary	5,000,000	(1,250,000)	0	0	3,750,000	27 December 2000	27 December 2000 to 5 September 2003	3.10
Ma Hon Kin, Dennis	3,000,000	(750,000)	0	0	2,250,000	27 December 2000	27 December 2000 to 5 September 2003	3.10
Wong Piu Lung, Peter	3,000,000	0	(750,000)	0	2,250,000	27 December 2000	27 December 2000 to 5 September 2003	3.10
Tong Ka Wai, Dicky	3,000,000	(750,000)	0	0	2,250,000	27 December 2000	27 December 2000 to 5 September 2003	3.10
Managerial Level	27,100,000	(4,564,500)	(2,210,500)	(2,100,000)	18,225,000	27 December 2000/ 30 May 2001 *(4)*	27 December 2000 to 5 September 2003	3.10
Other Employees	12,230,000	(2,029,000)	0	(550,000)	9,651,000	27 December 2000/ 30 May 2001 *(5)*	1 January 2002 to 5 September 2003	3.10
Total	68,330,000	(13,093,500)	(2,960,500)	(2,650,000)	49,626,000			

Notes:

(1) 2,960,500 share options were lapsed but not yet cancelled during the period.

(2) With effective on 9 September 2002, every five issued and unissued shares of HK$0.10 each in the capital of the Company have been consolidated into one ordinary share of HK$0.50 each in the Company. Accordingly, upon the exercise of the share options granted under the Old Scheme, every five share options shall be subscribed for one consolidated share.

(3) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

(4) For managerial level or above, 21,350,000 share options were granted on 27 December 2000 and 5,750,000 share options were granted on 30 May 2001 as detailed in the Group's audited consolidated financial statement for the year end 31 March 2002.

(5) For other employees, 8,500,000 share options were granted on 27 December 2000 and 3,730,000 share options were granted on 30 May 2001 as detailed in the Group's audited consolidated financial statement for the year end 31 March 2002.

(6) The exercise period of the share options (for managerial level or above) is divided into three periods for portions A, B and C at 25%, 37.5% and 37.5%, respectively, over the number of share options.

SHARE OPTION SCHEME *(continued)*

(7) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. The share consolidation as detailed in note 2 has resulted in an adjustment to the exercise price of the outstanding share options. The adjusted exercise price has taken effect from 6 September 2002.

The financial impact of share options granted is not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options.

The directors are of the view that the value of the theoretical value of the share options granted depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the directors believed that any calculation of the value of options will not be meaningful and may be misleading to shareholders in these circumstances.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2002, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest of 10% or more of the share capital of the Company that was required to be recorded in the register kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

KFL Holdings Limited, a substantial shareholder of the Group, agreed to bear the remuneration, totalling HK$6,066,000 paid or payable to the Company's executive directors for the period ended 30 September, 2002.

PRACTICE NOTE 19 OF THE LISTING RULES

In accordance with the disclosure requirements of paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the following disclosures are included in respect of one of the Group's facility agreements, which contains covenants requiring performance obligations of the controlling shareholder of the Company.

Subsequent to the balance sheet date, on 25 October 2002, the Group obtained a new syndicated loan of HK$440,000,000, and has refinanced the old one.

According to the new facility agreement, the controlling shareholder (including Mr. Ma Bo Kee, his family members, close relatives, related trusts and companies controlled by him, his family members, close relatives or related trusts) shall at all times be the beneficial owners of, in aggregate more than 35 percent, of the issued voting share capital of the Company. Breach of such obligation will cause a default in respect of the loan facility that is significant to the operations of the Group.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Before the shares consolidation became effective on 9 September 2002 and for the period from 1 April 2002 to 6 September 2002, the Company repurchased 3,414,000 ordinary shares of the Company of HK$0.10 each through the Stock Exchange at a total cash consideration plus related expenses of approximately HK$2,017,297.25 at price ranging from HK$0.58 to HK$0.59 per share. All the shares repurchased have been cancelled accordingly.

After the shares consolidation became effective on 9 September 2002 and for the period from 9 September 2002 to 30 September 2002, the Company repurchased 402,000 ordinary shares of the Company of HK$0.50 each through The Stock Exchange at a total cash consideration plus related expenses of approximately HK$1,127,468.33 at price ranging from HK$2.700 to HK$2.875 per share. 250,000 shares repurchased have been cancelled accordingly. 152,000 shares which were repurchased in September 2002, but not yet cancelled until October 2002.

The directors considered that it was in the interests of the Company's shareholders to make such repurchases as the prices of the Company's shares were relatively low at the time of such repurchases.

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 2002, 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.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors and one non-executive director of the Company. The audit committee has reviewed with the management on the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters including review of the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2002.

By Order of the Board

Ma Bo Kee
Chairman

Hong Kong, 18 December 2002