

REVIEW AND PROSPECTS

BUSINESS REVIEW

Global Manufacturing-Distribution Integration

2002 was a challenging year for Moulin; with major operational restructuring going through under the context of a weak worldwide economy. Despite these, the Group has succeeded in finalising the integration of manufacturing and distribution resources, gearing the Group for enhanced growth and profitability in year 2003.

Europe

Although economic conditions were not robust, the Group generally performed well in Europe in 2002. This was due to a sound business strategy and successful positioning in the mid-market segment. Turnover for distribution business in Europe reached HK\$302 million, representing one of the key revenue drivers for the Group. The Italian subsidiaries accomplished satisfactory results and started to make contributions. Operating and office redundancies were eliminated as a result of the restructuring process. Product development and fulfillment cycles have been effectively shortened, and design capabilities were enhanced with over 1,000 new designs successfully launched.

United States

In the U.S., as a step forward to expand its direct sales network, the Group has formed strategic alliance with reputable vision manage care groups and large size retail chains, which represents an additional coverage of over 5,000 retail doors in the market.

Asia Pacific

In the Asia Pacific region, the Group's efforts over the past few years are beginning to bear fruit. The Group's regional business achieved steady sales growth in 2002, driven by satisfactory performances in the Philippines, Taiwan, Japan, Korea and Thailand, despite the unstable Asian economy. The joint venture in Japan continues to progress according to plan; the products delivered in the last quarter of 2002 were well received by the market. Encouraging signs from the joint venture suggested there could be room for considerable growth in this market, which is expected to make contribution to the Group's earnings in 2003.

The PRC Business: Integration of Manufacturing, Distribution and Retailing

Despite the severe competition in the market, the Group's presence in the PRC retailing business was strengthened in 2002 with the opening of four retail stores in Nanjing (self-owned stores) and Wuxi (franchised stores). There are now 29 stores in the Group's PRC retail chain, America's Eyes. Sales of America's Eyes were HK\$52 million for the reporting period, having successfully established a firm position in the premium market segment in Shanghai. The PRC distribution business has maintained a steady growth. The construction of a new plant in Chaoyang (with a target capacity of 2.4 million pairs of optical frames per annum) has been completed and the production will commence in May 2003.

To facilitate a more efficient use of resources and to integrate various operations, Shanghai Moulin International Holdings Ltd. ("Shanghai Moulin"), a sino-foreign joint stock company, was set up. Headquartered in Shanghai, the company formally obtained its business licence in October 2002. Shanghai Moulin's focus is to build a cohesive operational force that integrates manufacturing, distribution and retailing resources to better serve the PRC market.

BUSINESS REVIEW *(continued)***OEM/ODM Business**

In the OEM/ODM business segment, the Group has successfully secured contracts with major chain accounts. This segment's turnover reached HK\$293 million for the period under review. The management is confident that the OEM/ODM business will continue to generate stable revenues and income for the Group.

PROSPECTS**Maximising "fusion benefits" to accelerate long-term growth**

As major acquisitions have been successfully consolidated into the Group and critical mass has been achieved, the Group is proceeding to the next stage of its development roadmap. The management has put in place various measures to maximise the "fusion benefits" of the Group's integrated global manufacturing distribution business to further improve earnings and secure long-term growth. These benefits should become more contributing in 2003.

Capitalising on its comprehensive distribution network and cost-effective production facilities, the Group is negotiating with a couple of internationally renowned brands to enrich its existing brand portfolio. The management is confident that its vertical integration strategy will continue to lead to further licensing opportunities, enabling the Group to dominate the mid-market segment and drive growth in the long term.

Expansion in the PRC to generate promising returns

The Group is committed to accelerating the growth of its PRC retailing business through expansion of own stores and development of the franchising programmes, as witnessed by the successful launch of franchised shops in Wuxi. A further 10-15 franchised shops are to be opened in cities adjacent to Shanghai in 2003. The established retail chain in Shanghai itself will be expanded to include 10 new own stores. The management believes that these investments will enable the Group to ride on the booming PRC economy and generate promising returns.

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KRIZIA



Wert.

Es gibt Dinge, die besitzen
von Natur aus einen Wert.
Und wenn man sie
das erste Mal sieht,
weiß man auch, warum.

van laack
YOUR EYES

VAN LAACK

