MOULIN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Bermuda with limited liability)
Web Site: http://www.moulin.com.hk
http://www.etnet.com.hk

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

- Europe distribution turnover grew 29%
- Gross profit grew by 17% with the margin increased to 58%
- Retained profits exceeded HK$1 billion, and shareholders' fund approached HK$1.5 billion
- Granted rights to use "Genium" among few leading eyewear companies in the world

INTERIM RESULTS

The Board of Directors (the "Board") of Moulin International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2002, as follows:–

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 September	
		2002	**2001**
		(Unaudited)	**(Unaudited)**
	Notes	*HK$'000*	*HK$'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		22,569	28,338
EARNINGS PER SHARE	*8*		
Basic		17.40 cents	21.18 cents
Diluted		17.38 cents	20.45 cents

Notes:

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 (the "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 as disclosed in the interim report.

(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 as disclosed in the interim report.

(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.

Certain comparative amounts in the condensed consolidated profit and loss account, cash flow statement and the segment information have been reclassified to conform with the current period's presentation.

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

3. OTHER REVENUE

An analysis of other revenue is as follows:

	Six months ended 30 September	
	2002 **(Unaudited)** *HK$'000*	**2001** **(Unaudited)** *HK$'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. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 September	
	2002	**2001**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'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	**2001**
	(Unaudited)	**(Unaudited)**
		(Restated)
Weighted average number of ordinary shares in issue during the year 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 9.

9. SHARE CAPITAL

	30 September 2002	**31 March 2002**
	(Unaudited)	**(Audited)**
	HK$'000	*HK$'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.

(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 in 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".

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 4:00 p.m. on 10 January 2003.

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 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, amortization and restructuring cost increased by 7% to HK$156 million compared with the last corresponding period – reflecting strong operations and ample cash flow.

Affected by the increase of amortisation regarding 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 remained the key revenue driver with turnover for this segment increasing 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 capitalizing 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 organized 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 year. 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 Group earnings in 2003.

The PRC Business: Integration of Manufacturing, Distribution and Retailing
Shanghai Moulin International Holdings Ltd, a sino-foreign joint stock company, 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, 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 within the period.

ODM/OEM Business
During the period under review, the ODM/OEM business grew 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 growth in royalty and profit-sharing income generated by its franchising program.

FINANCIAL POSITION

As at 30th 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 shareholder's equity of HK$1,446 million (31 March 2002: HK$1,423 million).

The retained profit as at 30th September 2002 was exceeding 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 25th 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 prepayment 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.

The management believes that the partial redemption of the convertible bonds 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 the balance sheet date. 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 commitment of HK$57 million as at the balance sheet date.

As at the balance sheet date, 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 unutilized banking facilities, the Group believes that it has sufficient resources to meet its foreseeable capital expenditures and working capital requirements.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 the Company. The audit committee has reviewed with management 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.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The Interim Report of the Company for the six months ended 30 September 2002 containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Ma Bo Kee
Chairman

Hong Kong, 18 December 2002

"Please also refer to the published version of this announcement in The Standard".