MOULIN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

website: http://www.moulin.com.hk

http://www.etnet.com.hk

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2003

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 June 2003, as follows:—

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended	
		30 June 2003	30 September 2002
		(Unaudited)	(Unaudited and restated)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	*3*	**603,048**	616,250
Cost of sales		**(264,194)**	(260,507)
Gross profit		**338,854**	355,743
Other revenue	*4*	**21,450**	19,003
Selling and distribution costs		**(89,610)**	(97,954)
Administrative expenses		**(117,101)**	(128,966)
Other operating expenses, net		**(34,190)**	(34,633)
Restructuring costs	*5*	**—**	(10,179)
PROFIT FROM OPERATING ACTIVITIES	*6*	**119,403**	103,014
Finance costs	*7*	**(25,018)**	(28,210)
PROFIT BEFORE TAX		**94,385**	74,804
Tax	*8*	**(12,913)**	(11,600)
PROFIT BEFORE MINORITY INTERESTS		**81,472**	63,204
Minority interests		**1,651**	5,339
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**83,123**	68,543
INTERIM DIVIDEND	*9*	**31,164**	22,569
EARNINGS PER SHARE	*10*		
Basic		**20.17 cents**	17.01 cents
Diluted		**20.15 cents**	16.99 cents

Notes:—

1. BASIS OF PREPARATION

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.

During 2002, the Group changed its financial accounting year end date from 31 March to 31 December, with the first financial period after the change being from 1 April 2002 to 31 December 2002. As part of the Group's globalisation plan, this change enhances financial reporting harmonisation with the Group's European subsidiaries and its joint stock company in the People's Republic of China (the "PRC"), and the Group as a whole is now more comparable to its major global competitors. As a result of this change in the financial year end date, the condensed consolidated financial statements for the current 6 month period cover a period from 1 January 2003 to 30 June 2003, while the comparative amounts for the condensed consolidated profit and loss account, statement of changes in equity, cash flow statement and related notes cover the 6 month period from 1 April 2002 to 30 September 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies 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 period from 1 April 2002 to 31 December 2002, except for the revised SSAP 12, "Income Taxes", which has been adopted for the first time in the preparation of the current period's condensed consolidated financial statements.

SSAP 12 prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax). The principal impact of the revision of this SSAP on these condensed consolidated financial statements is that deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future. In addition, a deferred tax liability has been recognised on the revaluation of the Group's land and buildings. In the absence of any specific transitional requirements in the revised SSAP 12, the new accounting policy has been applied retrospectively.

This change in accounting policy has resulted in prior period adjustments with a decrease in the Group's property revaluation reserve as at 1 January 2003 and 1 April 2002 by HK$5,370,000 and an increase in the consolidated retained profits as at 1 January 2003 and 1 April 2002 by HK$7,069,000 and HK$7,343,000, respectively. This change has resulted in a decrease in the Group's deferred tax liabilities as at 31 December 2002 and 31 March 2002 by HK$1,699,000 and HK$1,973,000, respectively. In addition, the previously reported net profit from ordinary activities attributable to shareholders for the period ended 30 September 2002 has been restated by a reduction of HK$1,569,000 with the provision of deferred tax for that period.

3. TURNOVER AND SEGMENT INFORMATION

Segment information is presented by way of geographical segment. No business segment analysis of the Group's revenues and results is presented as all the Group's revenues 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		People's Republic of China ("PRC")		Asia Pacific (including Hong Kong)		Europe		Corporate		Others		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June 2003 (Unaudited)	30 September 2002 (Unaudited)	**30 June 2003 (Unaudited)**	30 September 2002 (Unaudited)	**30 June 2003 (Unaudited)**	30 September 2002 (Unaudited)	**30 June 2003 (Unaudited)**	30 September 2002 (Unaudited)	**30 June 2003 (Unaudited)**	30 September 2002 (Unaudited)	**30 June 2003 (Unaudited)**	30 September 2002 (Unaudited)	**30 June 2003 (Unaudited)**	30 September 2002 (Unaudited and restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**136,789**	142,107	**138,978**	123,916	**60,644**	58,242	**265,736**	290,797	**—**	—	**901**	1,188	**603,048**	616,250
Other revenue	**691**	1,606	**1,017**	1,287	**972**	437	**25**	7,076	**858**	1,758	**—**	—	**3,563**	12,164
Total	**137,480**	143,713	**139,995**	125,203	**61,616**	58,679	**265,761**	297,873	**858**	1,758	**901**	1,188	**606,611**	628,414
Segment results	**25,165**	24,197	**46,708**	48,315	**13,991**	15,612	**14,275**	6,593	**476**	839	**901**	619	**101,516**	96,175
Interest Income													**17,887**	6,839
Profit from operating activities													**119,403**	103,014
Finance costs													**(25,018)**	(28,210)
Profit before tax													**94,385**	74,804
Tax													**(12,913)**	(11,600)
Profit before minority interests													**81,472**	63,204
Minority interests													**1,651**	5,339
Net profit from ordinary activities attributable to shareholders													**83,123**	68,543

4. OTHER REVENUE

An analysis of other revenue is as follows:

	Six months ended 30 June 2003 (Unaudited) *HK$'000*	Six months ended 30 September 2002 (Unaudited) *HK$'000*
Interest income	**17,887**	6,839
Rental income	**—**	321
Subcontracting income	**401**	2,089
Management fee income	**310**	716
Others	**2,852**	9,038
	21,450	19,003

5. RESTRUCTURING COSTS

Last period's restructuring costs, comprising compensation for dismissal of workers and staff, removal costs and restructuring advisory fee, were incurred for the restructuring of the Group's distribution business in Europe and the North America.

6. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June 2003 (Unaudited) *HK$'000*	Six months ended 30 September 2002 (Unaudited) *HK$'000*
Cost of inventories sold	**264,194**	260,507
Amortisation of intangible assets	**2,049**	1,703
Amortisation of goodwill	**5,032**	7,673
Depreciation	**36,337**	33,392
Loss on disposal of intangible assets	**—**	224
Gain on realisation of short term investments	**—**	(2)
Loss/(gain) on disposal fixed assets	**10**	(75)

7. FINANCE COSTS

	Six months ended	
	30 June 2003	30 September 2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**21,663**	26,733
Interest on finance leases and hire purchase contracts	**498**	516
Interest on convertible notes	**257**	791
Total interest	**22,418**	28,040
Bank charges	**2,600**	170
	25,018	28,210

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 September 2002: 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 June 2003	30 September 2002
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**11,640**	8,189
Elsewhere	**308**	1,842
Deferred tax	**965**	1,569
Tax charge for the period	**12,913**	11,600

The adoption of the revised SSAP 12 "Income Taxes" has resulted in the comparative amount in respect of tax being restated by an increase of HK$1,569,000 as detailed in note 2 to the condensed consolidated financial statements.

9. INTERIM DIVIDENDS

	Six months ended 30 June 2003 (Unaudited) HK$'000	Six months ended 30 September 2002 (Unaudited) HK$'000
Interim — HK7.0 cents per ordinary share (six months ended 30 September 2002: HK5.6 cents per ordinary share)	**31,164**	22,569

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

10. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June 2003 (Unaudited) HK$'000	Six months ended 30 September 2002 (Unaudited and restated) HK$'000
Net profit attributable to shareholders, used in the basic and diluted earnings per share calculations	**83,123**	68,543

Shares

	Six months ended 30 June 2003 (Unaudited)	Six months ended 30 September 2002 (Unaudited)
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**412,049,926**	402,862,211
Weighted average number of ordinary shares in issued at no consideration on deemed exercise of all share option during the period	**438,681**	637,412
Weighted average number of ordinary shares used in diluted earnings per share calculation	**412,488,607**	403,499,623

INTERIM DIVIDEND

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

Cheques for payment of the interim dividends are expected to be dispatched to those entitled on or before 8 December 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 October 2003 to 24 October 2003 both days inclusive, during which period, no transfer of shares will be registered.

In order to qualify for the interim dividend above mentioned, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Computershare Hong Kong Investor Services Limited at Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 17 October 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's consolidated turnover was HK$603 million for the interim period ended 30 June 2003, a slight decrease of approximately 2% when compared with the last reporting period (April — September 2002). The minor reduction in turnover was attributed to the reorganization of the Group's brand portfolio, including the discontinuance of specific licenses that were not positioned to leverage the core strengths of the Group. Despite the immediate impact on turnover, this reorganization was essential to achieve the international focus necessary to fully capitalize on the Group's vertical integration strategy and will position the company for solid growth in the future.

Turnover in the distribution segment amounted to HK$350 million, representing 58% of the Group's consolidated turnover. Europe continued to be the dominant market in this business segment which accounts for half of such turnover.

Despite the unfavorable macro-economic circumstances, such as the outbreak of the Iraqi War and the Severe Acute Respiratory Syndrome ("SARS"), the Group managed to achieve significant profit increment during the period under review. Compared with the last reporting period, profit before tax surged by 25% from HK$75 million to HK$94 million. The satisfactory result was due to the materialization of the manufacturing-distribution integration strategy, that the Group has adopted in the pursuance of the downstream expansion into the distribution sector since the year 2000. Due to the successful integration of the various distribution companies acquired in the past two years, the restructuring exercise was concluded during the period under review, hence restructuring costs were effectively eliminated. Additional reductions were made with regards to selling, distribution and administrative expenses.

Net profit from ordinary activities attributable to shareholders notably increased from HK$69 million to HK$83 million, representing a 20% increment from the last reporting period. As a result of the increased net profit from ordinary activities attributable to shareholders, the net margin improved from 11% to 14%.

BUSINESS REVIEW

Global Manufacturing-Distribution Integration

The Group has successfully built up an unique business model in the eyewear industry that leverages the strengths of PRC low cost manufacturing, sophisticated global distribution network and brand portfolio with an international perspective.

Europe

Turnover in Europe distribution recorded a drop of 8% from HK$192 million to HK$177 million, while operating profit margin slightly improved comparing with the last period's level. During the period, the slow economies in Europe, particularly in Germany, adversely affected the consumer market. Coupled with the Group's brand portfolio consolidation, distribution turnover in the territory decreased. The management believes that this is only a short-term transition to achieve the group-wide focus necessary to fully exploit the mid-market opportunity that exists in today's eyewear industry.

The management appreciates that human resources are valuable assets to the Group. Having successfully built up its position as the new generation market player in the international eyewear industry, the Group had the ability to attract more high calibre industrial specialists from around the world to its management team. Based on the recruitment efforts applied within the period, the Group is well positioned to carry out its dynamic strategies for growth and expansion.

Additionally, the Group began to experience the practical effects of the operational restructuring efforts in-line with its vertically integrated business model. Substantial improvements in product development & fulfilment lead-times were evident based on the material and capacity planning initiatives implemented earlier in the year. The coordination of these planning initiatives were further supported by a centralization of global logistical functions capitalizing on the Group's internally-developed Internet resources as a means to streamline the ordering, invoicing and product delivery processes. These planning and logistical advantages represent the fundamentals of the Group's competitive differentiation in the fragmented middle-market segment of the eyewear industry.

Finally, the Group successfully transferred the advanced production technologies and know-how from its manufacturing base in the Czech Republic and Italy to the PRC, enjoying the benefits of attaining high quality at competitive cost.

United States

The Group's distribution business in the United States recorded a slight decrease of 5% from HK$56 million to HK53 million, due to the generally weak consumer market there. Nonetheless, during the period under review the Group successfully concluded long-term contracts with various mass market retail customers; including a top five eyewear chain and the largest vision managed care company in the United States. The management believes that the Group's business in the United States will improve in the short-to-medium term as the market has already started to show signs of recovery.

Asia Pacific

Distribution turnover in the Asia Pacific region was stable at HK$32 million. The Group's performance in the region varied in the different markets. Indonesia, the Philippines and Malaysia performed exceptionally well as the Group successfully secured substantial orders from large-scale retail chain customers. On the other hand, the Group's performance in Hong Kong, Taiwan and Singapore market are slightly affected by the outbreak of SARS.

The PRC Business: Integration of Manufacturing, Distribution and Retailing

The Group's PRC business achieved a significant growth of 13% in the distribution segment, reaching HK$88 million, and a steady growth of 3% from HK$39 million to HK$40 million in the retail segment. The improvement was due to the introduction of various existing brands with international licensing right into the PRC market under the flagship "Shanghai Moulin", such as United Colors of Benetton, Aigner, and Kappa etc. Shanghai Moulin is the newly established sino-foreign joint stock company engaging in the integrated manufacturing-distribution-retailing business in the PRC market.

In line with its growth strategy in the PRC retail market, the Group opened 5 retail shops during the period, 3 in Jiading and 2 in Shanghai City, expanding its retail network to 32 retail shops under the brand name "America's Eyes." The outbreak of SARS during April and June caused a hard impact on the Group's retail business and consequently the retail expansion plan was slowed down. In view of this, the management adopted a more prudent plan under which the number of shops would only increase to around 35 by the end of 2003. The management plans to have the growth momentum be accelerated in the year 2004.

ODM/OEM Business

The turnover of the ODM/OEM business was HK$213 million which was levelled with the last reporting period, while profit margins were maintained at above 40%. During the period under review, the Group successfully opened up new customer accounts in other potential markets such as South America and Eastern Europe.

PROSPECTS

Enhancing warehousing and logistics management to achieve further operating efficiencies

In order to fully exploit its recently implemented planning initiatives, as well as leverage synergies related to the placement of common product in multiple world markets, the Group is in the process of developing a modern breed of warehousing and logistical facilities at its Hong Kong and Chaoyang (Guandong, the PRC) sites. The seven-thousand square foot Hong Kong logistics hub will enable the Group to further centralize direct shipping activities to its subsidiaries, wholesalers and large-scale retail chain customers throughout the world. The thirty-thousand square-foot Chaoyang warehouse will enable the Group to enhance the effectiveness of market-data driven capacity management and lead-time benefits through the routine pre-production and storage of the semi-finished frames. Both facilities are expected to commence operations within the fourth quarter of 2003.

Additionally the Group is planning to further consolidate its European warehousing and logistics functions via the development of a central facility at its Czech Republic site. This plan leverages the Group's current working knowledge of human resources, infrastructure and management practices in the Czech Republic as a means to quickly and effectively capitalize on the labour-wage advantages associated with the country's assimilation into the European Union in 2004. This new installation will be implemented to cope with the increasing demand of the call centre / customer service centre support, as well as its daily delivery system. Currently the Group's various call centres / customer service centres are receiving more than 5,000 phone calls and making more than 10,000 parcels delivery per day.

New clients and new brands to drive future growth

Based on the successful implementation of its vertical integration strategy, the Group has been aggressively capitalizing its position as the only large-scale, PRC-based "factory-with-brands" in the optical industry in order to further develop relationships with large chain accounts as well as brand licensors. The Group's unique position facilitates a cycle of mutual reinforcement within the segment due to the fact that retail chains require high-volumes of low-cost branded product (necessitating direct contact with the manufacturer), while stronger relationships with retail chains continue to attract the interest of mid-market brand licensors. The effects of this unique position have been initially recognized in the U.S., the industry's largest chain market, where the Group has recently secured long-term supply agreements with several large, mass market retail customers. The combined agreements represent shipments exceeding 800,000 pieces of eyewear in 2003, an amount which is projected to double in 2004. Based on the core strength of the business model, proven by long-term supply agreements such as these, the Group has been in continual contact with additional mid-market brand licensors seeking to capitalize on its broad-channel distribution capabilities. The exploitation of its unique position as a PRC "factory-with-brands" will remain a key driver in the Group's growth strategy for 2004 and beyond.

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

Pursuant to the placing and subscription agreement dated 14 May 2003, KFL Holdings Limited, a substantial shareholder of the Company, placed 40,000,000 shares of HK$0.5 each in the capital of the Company at HK$3.5 per share to over around 20 independent professional investors and on 27 May 2003 subscribed for 40,000,000 new shares at HK$3.5 per share. The net proceeds received by the Company under the subscription were approximately HK$136 million and were used to expand the Group's distribution business in Europe. This exercise has further broadened up the Company's shareholder base with the inclusion of more institutional investors.

FINANCIAL POSITION

As at 30 June 2003, the Group had approximately HK$341 million in cash on hand. The current ratio improved from 2.3 to 2.9, and the gearing ratio of net interest-bearing borrowings over equity substantially improved from 0.56 to 0.39 due to the placement of the new shares at 14 May 2003 mentioned above.

The management believes that the placement of the new shares is in the interests of the Group and its shareholders as this not only strengthens the financial position of the Group, but also provides the necessary working capital for future acquisition opportunities.

The Group has a strong capital base with a retained profit exceeding HK$1 billion as at 30 June 2003, and the shareholders equity was over HK$1.6 billion.

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 June 2003, the Group had around 4,500 employees worldwide. The remuneration policy and package for the Group's employees are based on their performance, experience and conditions prevailing in the industry. Discretionary bonuses, merit payments and the granting of share options to eligible staff are determined according to the financial results of the Group and the performances of individual employees. Employees are also provided with appropriate training for improved personal development and growth.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months period ended 30 June 2003, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on The Stock Exchange of Hong Kong Limited.

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 June 2003, 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 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 June 2003.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The Interim Report of the Company for the six months ended 30 June 2003 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, 24 September 2003

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