MOULIN INTERNATIONAL HOLDINGS LIMITED

(Stock Code: 389)

(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 2004

The Board of Directors (the "Board") of Moulin International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 together with the comparative figures for the corresponding period last year as follows:—

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June	
		2004	2003
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	*2*	**685,652**	603,048
Cost of sales		**(308,034)**	(264,194)
Gross profit		**377,618**	338,854
Other revenue	*3*	**20,588**	21,450
Selling and distribution costs		**(101,858)**	(89,610)
Administrative expenses		**(136,366)**	(117,101)
Other operating expenses, net		**(78,305)**	(34,190)
PROFIT FROM OPERATING ACTIVITIES	*4*	**81,677**	119,403
Finance costs	*5*	**(11,845)**	(25,018)
PROFIT BEFORE TAX		**69,832**	94,385
Tax	*6*	**(9,414)**	(12,913)
PROFIT BEFORE MINORITY INTERESTS		**60,418**	81,472
Minority interests		**(225)**	1,651
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**60,193**	83,123
INTERIM DIVIDEND	*7*	**17,971**	31,164
EARNINGS PER SHARE	*8*		
Basic		**12.06 cents**	20.17 cents
Diluted		**N/A**	20.15 cents

Notes:—

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim accounts (the "Interim Accounts") are prepared in accordance with SSAP No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and should be read in conjunction with the 2003 annual financial statements. The accounting policies and basis of preparation used in the preparation of the Interim Accounts are the same as those used in the annual financial statements for the year ended 31 December 2003.

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 30 June		PRC Six months ended 30 June		Asia Pacific (including Hong Kong) Six months ended 30 June		Europe Six months ended 30 June		Corporate Six months ended 30 June		Others Six months ended 30 June		Total Six months ended 30 June	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	(Unaudited)	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)	**(Unaudited)**	(Unaudited)
	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	**231,020**	252,648	**131,958**	139,150	**95,344**	57,101	**226,330**	153,195	**873**	—	**127**	954	**685,652**	603,048
Other revenue	**614**	719	**608**	1,019	**2,669**	972	**1,361**	—	**36**	853	**—**	—	**5,288**	3,563
Total	**231,634**	253,367	**132,566**	140,169	**98,013**	58,073	**227,691**	153,195	**909**	853	**127**	954	**690,940**	606,611
Segment results	**78,238**	69,863	**18,961**	29,321	**14,664**	9,273	**(17,942)**	(8,318)	**(27,584)**	476	**40**	901	**66,377**	101,516
Interest income													**15,300**	17,887
Profit from operating activities													**81,677**	119,403
Finance costs													**(11,845)**	(25,018)
Profit before tax													**69,832**	94,385
Tax													**(9,414)**	(12,913)
Profit before minority interests													**60,418**	81,472
Minority interests													**(225)**	1,651
Net profit from ordinary activities attributable to shareholders													**60,193**	83,123

3. OTHER REVENUE

An analysis of other revenue is as follows:

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**15,300**	17,887
Rental income	**86**	—
Subcontracting income	**1,337**	401
Management fee income	**—**	310
Others	**3,865**	2,852
	20,588	21,450

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**308,034**	264,194
Amortisation of intangible assets	**4,455**	2,049
Amortisation of goodwill	**5,328**	5,032
Depreciation	**38,608**	36,337
(Gain)/Loss on disposal of fixed assets	**(3,740)**	10

5. FINANCE COSTS

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**10,841**	21,663
Interest on finance leases and hire purchase contracts	**230**	498
Interest on convertible notes	**—**	257
Total interest	**11,071**	22,418
Bank charges	**774**	2,600
	11,845	25,018

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China and 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	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**7,100**	11,640
Elsewhere	**4,151**	308
Deferred tax	**(1,837)**	965
Tax charge for the period	**9,414**	12,913

7. INTERIM DIVIDEND

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim — HK3.6 cents per ordinary share (2003: HK7.0 cents)	**17,971**	31,164

The current interim dividend declared after the interim period is calculated on the number of shares issued at the date of this report and has not been recognised as a liability at the interim period end date.

8. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net profit attributable to shareholders, used in the basic and diluted earnings per share calculation	**60,193**	83,123

Shares

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issued during the period used in basic earnings per share calculation	**499,200,562**	412,049,926
Weighted average number of ordinary shares in issued at no consideration on deemed exercise of all share option during the period	**—**	438,681
Weighted average number of ordinary shares used in diluted earnings per share calculation	**499,200,562**	412,488,607

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.6 cents (2003: HK7.0 cents) per share for the period ended 30 June 2004, payable to shareholders whose names appear in the register of members of the Company on 15 October 2004.

Cheques for payment of the interim dividends are expected to be dispatched to those entitled on or before 25 November 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 October 2004 to 25 October 2004 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 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 pm on 15 October, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2004, the Group's consolidated turnover was HK$686 million, a 14% increase over the corresponding period last year. The increase was attributed to the Group's consolidation of NiGuRa Optik GmbH ("NiGuRa"), acquired from the German eyewear company Rodenstock in the last quarter of 2003, as well as organic growth of various business segments.

Gross profit for the period increased 12% from HK$339 million in the same period of 2003 to the current HK$378 million. The gross profit margin was recorded at 55% (2003: 56%). The slight decrease in gross profit margin was mainly due to the pressure coming from the inflation of raw materials cost. The Group's profit attributable to shareholders dropped from HK$83 million to HK$60 million mainly due to one-off expenses which were incurred in the proceedings to acquire Cole National. Nonetheless, the Group has managed to maintain a strong cash position with an amount of HK$825 million as at 30 June 2004.

Despite the fact that the proposed bid to acquire Cole National did not end in an acquisition, the bid generated increased international exposure substantially valuable to the Group. The costs incurred pursuing the Cole National acquisition can be viewed as an investment that had established Moulin as a major player in the global eyewear market and was an impressive demonstration of its ability to develop the financial, legal, and in house organizational systems required to mount a major acquisition.

BUSINESS REVIEW

Global Manufacturing-Distribution Integration

The distribution sector remained as the largest revenue contributor for the Group, accounting for 78% of total turnover. Moulin continued to pursue an aggressive path of expanding its global reach into new markets during the review period. As an integrated eyewear manufacturer and distributor, the Group was uniquely positioned to follow a global model of growth.

The sector was continually fine tuned through enhanced operating systems, refined logistics, and personnel management. Moulin has emphasized its extensive history in manufacturing quality eyewear in China and the group continued to leverage this aspect of its core business to draw licensors and enrich its brand portfolio. With high operating efficiencies as well as industry-leading manufacturing know-how in sync with its distribution channels, the Group has positioned itself to not only take advantage of opportunities but also to create them.

Europe

The Group has maintained a prominent position in the German market, the Group's largest market in Europe. NiGuRa was fully assimilated into the Group's distribution structure, adding the strengths of a competent and experienced management team. Operations were further streamlined by combining the warehouse operations in both Stuttgart and the Czech Republic, with management operations consolidated in Dusseldorf. In the period under review, the combined distribution forces of NiGuRa and the existing Metzler group contributed a significant growth of distribution revenue for the Group.

The German government has recently implemented social reforms to curb subsidies for eyewear. This policy change affected the German eyewear industry as a whole. As the largest distributor by volume in the German market, Moulin was also affected. However, with its dominant 10% market share, the Group has positioned itself impressively to experience growth once market sentiment starts to turn around. The Group took advantage of this lull period by consolidating and increasing efficiency. This restructuring has enhanced overall synergy of the Group's European operations.

Moulin is the only non-Italian company amongst the top five sellers in the Italian market, the Group's second largest market in Europe. Italian sales were able to maintain at last period's level despite the consolidation of brand portfolio in the past year. The Group is optimistic to see a promising sales growth in the second half year.

Moulin performed satisfactorily in other markets in Europe during the period under review. Austrian sales were up approximately 20% in the first six months and sales in Czech Republic and Slovakia were up a remarkable 40% and 26% respectively. This coveted position was achieved with the great success of brands like United Colors of Benetton, Sisley and Revlon.

North America

Recent personnel restructuring in the Group's US sales department was aimed at cutting costs and focusing sales to mass merchant chain retailers. This has proven a correct strategy, successfully attracting new chain retailers to the Group in the period under review. Current profit margins remain healthy and rising as the gains accrued through increased sales to chain retailers.

Moulin has recognized substantial benefits from its experience and recognition garnered in the bid for Cole National, proving the Group's ability to orchestrate financing and legal resources to meet the needs of a major acquisition. Beyond a doubt the Group has now established itself as a major force in the North American eyewear landscape.

Asia Pacific

Overall performance in the Asia Pacific was up 9%. The increase was credited to gains in various Asian countries, particularly the Japanese market. During the period under review, the Group also saw the launching of the Longines brand in Hong Kong.

The PRC Business: Integration of Manufacturing, Distribution and Retailing

The turnover from the PRC fell slightly during the period under review. The fall was the result of Moulin's strategic shift in focus from non-branded products that formerly made substantial contributions to turnover, to internationally branded eyewear. Various new brands' eyewear collection, Reebok, United Colors of Benetton and Longines, were launched during the period under review and were well-received in the market. Distribution revenue generated from international brands thus increased by 25%. The Group regards the fall in turnover as transitional and expects the sales from international brands to rapidly pick up in the coming quarters.

The Group continued the progressive expansion of Shanghai Moulin's "America's Eyes" chain to 50 fully owned stores, up from 34 at the end of 2003, 16 of which were opened since December 2003. In addition, there are 7 franchised outlets operating in and around greater Shanghai. Retail operations in the PRC proceeded smoothly with high profitability. The original stores recorded 25% growth compared with the same period in the prior year. Contributions from several stores opened in May and June of 2004 have yet to be reflected in the results.

ODM/OEM Business

The Group's ODM/OEM business continued to contribute a diminishing percentage of turnover relative to the integrated manufacturing-distribution and retail business. During the period under review, contribution from ODM/OEM was maintained at 15% of the company's turnover.

PROSPECTS

Pursues Further Growth in Core Distribution Business

Having successfully integrated the businesses of the acquired distribution companies in 2003, Moulin now occupies a principal position in the middle-tier global frame market. By cross-selling its portfolio of brands throughout the Group's global distribution platform, the synergies effects will contribute substantially in the years ahead. Additionally, Moulin continues to accelerate its competitive advantages by attracting further international brands into its portfolio. Currently the Group is pursuing several renowned fashion labels in the U.S. and in Europe. The brands would add further value to the existing brand mix should the negotiations turn into successful collaborations. The combination of market share vertically integrated with its own distribution channels makes Moulin an attractive option for international labels seeking greater exposure. In addition, Moulin is applying its proven North American business model towards distribution to mass merchant retailers to Europe. Actively pursuing opportunities with chain retailers in Europe, and leveraging recent gains in the Czech Republic and Slovakia, the Group expects to achieve further gains as Eastern European operations begin to benefit from European Union membership.

The PRC Expansion

Plans for expansion in the PRC include the opening of 4-5 new stores in the Shanghai area in the second half of 2004. Shanghai Moulin is also pursuing possible acquisition targets outside Shanghai to develop a broader regional retail presence.

In order to enhance the Group's production and ensure it remains at the forefront of the industry, Moulin is establishing a cutting-edge research, development and production facility in Shenzhen. This new "state of the art" facility has been developed to transfer the Group's European manufacturing technologies to its China factories. In addition to the development and production of more complex frame styles, the facility will serve as a training center for engineers and labors throughout the Group's PRC plants.

Opportunities for Retail Sector Integration

As international retail sector consolidates, Moulin has the opportunity to continue its downstream expansion into the retail sector. Retail sector integration would significantly benefit Moulin because of the significant economies of scale and related synergies that could be obtained. For example, significant procurement synergies can be obtained by reducing retailers' diverse and inefficient supplier base. Also, by reducing order lead-times retailers can deploy their working capital in much more efficient manner. The integration synergies would bring benefits to the Group in the long-run.

Financial Position and Liquidity

During the period under review, the Group's net cash outflow from operating activities was HK$24 million (2003: net cash inflow HK$121 million). The resultant net cash outflow from operating activities was mainly due to the one-off expenses which were incurred in the proceedings to acquire Cole National, the increase in trade debtors and inventories and the decrease in trade and other payables. Total bank borrowings were HK$1,122 million at 30 June 2004 (31 December 2003: HK$1,160 million) while bank and cash balances were HK$825 million at 30 June 2004 (31 December 2003: HK$890 million). The net bank borrowings of the Group increased from HK$270 million at 31 December 2003 to HK$297 million at 30 June 2004.

The current ratio of the Group at 30 June 2004 was 2.5 (31 December 2003: 2.3) with HK$2,313 million of current assets (31 December 2003: HK$2,388 million) and HK$908 million of current liabilities (31 December 2003: HK$1,035 million). The inventory turnover period (ratio of inventory balance to sales) decreased from 125 days to 113 days due to more efficiently use of our global distribution network. Debtor turnover period (ratio of trade debtors and bills receivable to sales) also decreased from 153 days to 140 days due to tighter control of trade credit terms. Certain debtors were secured for bank financing and if this portion was carved-out, the debtor turnover period was 101 days.

The Group had 499,200,562 shares in issued at both 30 June 2004 and 31 December 2003 with total shareholders' equity amounting HK$2,048 million and HK$2,011 million respectively. Net asset value per share as at 30 June 2004 was HK$4.1 (31 December 2003: HK$4.0). Net bank borrowings to equity ratio was 14.5% at 30 June 2004 compared with 13.4% at 31 December 2003.

The Group manages its interest rate exposure in relation to the interest rate level and outlook. As the Group conducts most of its businesses in US dollars, Euro and Renminbi, and borrowings and payments to vendors are mainly in Renminbi, Euro and HK dollar, the currency risk exposure is relatively low in view of the natural hedging mechanism in place and the existence of a peg between US dollar with HK dollar.

EMPLOYEES

As at 30 June 2004, the Group had around 5,600 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 2004, 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 2004, 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.

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 three 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 2004.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended 30 June 2004 containing 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
Moulin International Holdings Limited
Ma Bo Kee
Chairman

Hong Kong, 24 September, 2004

Members of the Board:

Executive Directors:
Mr. Ma Bo Kee *(Chairman)*
Mr. Ma Bo Fung *(Vice Chairman)*
Mr. Ma Bo Lung *(Vice Chairman)*
Mr. Ma Lit Kin, Cary *(Chief Executive Officer)*
Mr. Ma Hon Kin, Dennis
Mr. Tong Ka Wai, Dicky
Mr. Joseph A. Barrett

Independent Non-Executive Directors:
Mr. Ng Tai Chiu, David
Mr. Chan Wing Wah, Ivan
Mr. So Kwan Hon, Danny

Non-Executive Director:
Ms. Lee Sin Mei, Olivia

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