CEO'S STATEMENT

Consolidation and rationalization were primary trends in the 2003 eyewear industry, as major players worked to tighten their operations in reaction to global economic and geo-political conditions. Within this context, and in line with the Group's plans, 2003 was also a year of consolidation for Moulin as it continued its efforts to shape and streamline the worldwide operations of its manufacturing and distribution resources. These efforts included:

- A further reorganization of Moulin's distribution subsidiaries in Europe, the United States and Asia to eliminate remaining overlap, regulate core processes and strengthen regional management.

- The liquidation of non-core assets including short term investments and certain receivables. This, together with two placements over the course of the year, caused the company's cash reserves to more than triple from HK$265 million to HK$890 million. While helping to reduce the Group's gearing ratio, these reserves are earmarked for further investment in due course.

- Substantial progress in reinforcing uniform standards of simplicity, efficiency and effectiveness in reaching retail customers around the world.

- New management recruitment, and their placement in key corporate and regional functions.

These and other initiatives in 2003 have enabled the company, I believe, to establish the solid foundations necessary to support a new and exciting period of growth.

The generally volatile economic situation in the first half year, coupled with the Group's own internal reorganization, presented Moulin with significant challenges. It responded to these difficult conditions with an aggressive sales strategy that initially resulted in a fall in its gross margin to 56.2% in the first half year. The Group was eventually able to recapture sales momentum, and overall it experienced a slight rise in turnover when compared to the previous year's annualised figure. By the second half year, the Group's gross margin had been restored to its original 57.8%, resulting in a full year gross margin of 57.0%.

An important development in the second half was the company's acquisition of NiGuRa Optik GmbH ("NiGuRa") in October 2003. As a comparatively recent acquisition, however, the full benefits arising from NiGuRa should be more fully reflected in the Group's annual results for 2004. The company also undertook initiatives leading to substantial reductions in selling, distribution and administrative expenses. These expenses fell from an annualised HK$453 million in 2002 to HK$391 million in 2003, a 13.7% reduction. Cost cutting did not impact on our sales and promotion strategies, and we engaged in specific promotion of our branded products to ensure future growth.

As a result of maintaining a stable gross profit level while strictly controlling selling, distribution and administrative expenses, the Group's operating margin increased from 18.6% to 19.5%, and operating profit jumped 9.5% to HK$241 million. This together with 2003's low interest rate environment saw the Group's net margin improved significantly from 11.4% to 14.7%. In absolute volume, profit attributable to shareholders increased 34.8% to HK$182 million.

One of the most important roles of management is not only to create value for shareholders but to sustain it over the long run. We are proud to announce that our strategic move over the past two years away from manufacturing and towards an integrated manufacturing-distribution business model has resulted in the return on average equity increasing from last year's 9.4% to 10.5% in 2003.

In the PRC, Shanghai Moulin acted prudently in expanding its retail operations during 2003, with thirty-four retail outlets in place at year end. Depending on market conditions and operational results, we intend to accelerate the expansion process with a target of operating fifty outlets by the end of 2004.

The consolidation initiatives and progress described above have strengthened the foundations of the Moulin Group and created a new platform for growth and expansion in the years to come. Our management team has demonstrated outstanding focus and dedication, shaping the organization with a view to long-term growth rather than short-term expediency. I would like sincerely to thank Moulin's management, staff and partners around the world for their enthusiastic dedication to the Group's strategies, and their committed sense of ownership. Through their hard work and untiring conviction, Moulin has continued to grow into a strong, dynamic and visionary enterprise ready to achieve new levels of growth and success in the coming years.

Ma Lit Kin, Cary
Chief Executive Officer