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**泰興光學集團有限公司\***  
**Moulin Global Eyecare Holdings Limited**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 389)**

**TERMINATION OF SUBSCRIPTION AGREEMENT, DELAY IN  
PUBLICATION OF ANNUAL RESULTS AND CHANGE OF AUDITORS**

**TERMINATION OF SUBSCRIPTION AGREEMENT**

Due to delay in the publication of the Company's results for the year ended December 31, 2004, certain conditions precedent under the Subscription Agreement cannot be fulfilled by the Closing Date. Accordingly, the Manager gave written notice to the Company on April 18, 2005 to exercise its right to terminate the Subscription Agreement, and the Convertible Bonds will not be issued. The Company expects that the termination of the Subscription Agreement will not have a material effect on the business or financial condition of the Company.

**DELAY IN PUBLICATION OF ANNUAL RESULTS**

The Board currently anticipates that the publication of the 2004 annual results will be delayed until the latter half of May, 2005. The delay in publication of the 2004 annual results constitutes a breach of Rules 13.46(2)(a) and 13.49(1) of the Listing Rules. The Stock Exchange reserves the right to take appropriate action against the Company and/or the Directors in respect of such breach. The delay in publication of the 2004 annual results and the suspension of dealings in the Shares on the Stock Exchange as a result of such delay may also affect certain of the banking facilities entered into by the Group and hence may have a material effect on the business or financial condition of the Company. However, the Company had discussed with its principal bankers who did not indicate that their respective credit facilities extended to the Company will be affected.

**Trading in the Shares on the Stock Exchange has been suspended at the Company's request from 9:30 a.m. on April 18, 2005 and will continue to be suspended until the publication of the Company's 2004 annual results and the concerns of the Stock Exchange arising from the delay in the publication of annual results have been satisfactorily addressed.**

## **CHANGE OF AUDITORS**

DTT resigned as auditors of the Company with effect from April 18, 2005.

The Board will propose to the Shareholders at the SGM the appointment of CCIF as the new auditors of the Company to fill the vacancy arising from DTT's resignation until the conclusion of the next annual general meeting of the Company.

A circular containing the notice of the SGM and details of DTT's resignation and the proposed appointment of CCIF as the new auditors will be sent to the Shareholders as soon as reasonably practicable.

## **TERMINATION OF SUBSCRIPTION AGREEMENT**

Reference is made to the announcement of the Company dated February 21, 2005 in relation to, among other things, the proposed issue of the Convertible Bonds by the Company.

Due to delay in the publication of the Company's results for the year ended December 31, 2004 (see further "Delay in Publication of Annual Results" below), certain conditions precedent under the Subscription Agreement, including the announcement of the Company's 2004 annual results by April 14, 2005, cannot be fulfilled by the Closing Date. Accordingly, the Manager gave written notice to the Company on April 18, 2005 to exercise its right to terminate the Subscription Agreement, and the Convertible Bonds will not be issued.

As mentioned in the Company's announcement dated February 21, 2005, the net proceeds of the Convertible Bonds, estimated to be approximately HK\$306 million, were intended to be used to retire a portion of the Company's bank debt. Although the issue of the Convertible Bonds could lengthen the Company's debt maturity profile, lock in existing financing costs and reduce the interest rate payable by the Company, the Company expects that the termination of the Subscription Agreement will not have a material effect on the business or financial condition of the Company.

## **DELAY IN PUBLICATION OF ANNUAL RESULTS**

During the first quarter of 2005, the Company and its finance department had been heavily engaged in the completion of the acquisition of Eye Care Centers of America, Inc. as a result of which manpower available for the audit work had been reduced. As a result, the preparation of relevant supporting information for the purposes of the audit work has been behind schedule. DTT commenced audit work in the week of February 21, 2005. None of the 16 overseas operating subsidiaries of the Company are audited by the Company's auditors or their affiliated firms, and therefore the Company's auditors required more time to coordinate the audits of such subsidiaries. In addition, as explained in "Change of Auditors" below, DTT resigned as the auditors of the Company with effect from April 18, 2005 and CCIF will be proposed by the Board to be appointed as the new auditors of the Company.

For the reasons set out above and after discussions with CCIF as to the status of the supporting documentation for the audit work, the outstanding issues raised by DTT as mentioned below and CCIF's estimated time frame for completing the audit, the Board currently anticipates that the publication of the 2004 annual results will be delayed until the latter half of May, 2005. The Company has confirmed with CCIF that, as at the date of this announcement, the audit work is on schedule.

The delay in publication of the 2004 annual results constitutes a breach of Rules 13.46(2)(a) and 13.49(1) of the Listing Rules. The Stock Exchange reserves the right to take appropriate action against the Company and/or the Directors in respect of such breach. However, such delay will not constitute a breach of the Bye-laws of the Company or the applicable laws of Bermuda.

The delay in publication of the 2004 annual results and the suspension of dealings in the Shares on the Stock Exchange as a result of such delay may affect certain of the banking facilities entered into by the Group in the aggregate amount of approximately HK\$1.7 billion and hence may have a material effect on the business or financial condition of the Company. However, the Company had discussed with its principal bankers who did not indicate that their respective credit facilities extended to the Company will be affected.

The Directors confirm that they have not dealt in the securities of the Company since March 30, 2005 and they will not deal in the securities of the Company until the 2004 annual results are announced.

**Trading in the Shares on the Stock Exchange has been suspended at the Company's request from 9:30 a.m. on April 18, 2005 and will continue to be suspended until the publication of the Company's 2004 annual results and the concerns of the Stock Exchange arising from the delay in the publication of annual results have been satisfactorily addressed.**

## **CHANGE OF AUDITORS**

DTT resigned as auditors of the Company with effect from April 18, 2005. The Board will propose to the Shareholders at the SGM the appointment of CCIF as the new auditors of the Company to fill the vacancy arising from DTT's resignation until the conclusion of the next annual general meeting of the Company.

As DTT indicated that they would be unable to commit to any reporting deadline until their concerns as mentioned below had been resolved and in view of the extent of the additional costs which DTT indicated were to be incurred to complete the audit, the Board resolved to propose to the Shareholders the appointment of CCIF as the new auditors of the Company.

Prior to DTT's resignation, DTT had raised concerns to the Company with regards to the sufficiency of, and access to, audit evidence, errors in accounting treatment for certain intangible and fixed assets, and also whether the Group has proper internal controls to ensure that transactions are properly documented and proper books and records maintained. The Company has confirmed with CCIF that CCIF will consider alternative procedures to deal with the insufficiency of audit evidence. The Company understands that the alternative procedures will include obtaining third party confirmations and establishing an audit trail of documents from order placement to raw material procurement, production, invoicing and settlement of invoices. The Company believes that the concern regarding access to audit evidence was due to the reduction in manpower for the audit work as a result of the completion of the acquisition of Eye Care Centers of America, Inc., and the fact that the information systems of the Group are not yet fully integrated. In relation to the errors in accounting treatment, the Company will discuss with CCIF with a view to making appropriate accounting adjustments. In response to the comment on internal control and as recommended in CCIF's report as mentioned below, the Company will set up an independent team with experience in reviewing financial reporting and compliance systems, procedures and controls to review the internal control systems of the Group.

DTT also raised questions on the authenticity of 12 sets of supporting documentation ("Sample Shipping Documents") which they had requested for sampling purposes relating to certain sales transactions to overseas distributors. The original records of the Sample Shipping Documents were misplaced and could not be located. They related to approximately HK\$12 million of sales, which represented approximately 1% and 0.5% of the Company's audited consolidated sales and current assets for 2003 respectively. As at March 31, 2005, sales

relating to 10 out of the 12 sets of Sample Shipping Documents amounting to approximately HK\$10 million had already been settled. The aggregate amount of all receivables involving the abovementioned overseas distributors was approximately HK\$249 million as at December 31, 2004. As at March 31, 2005, the aggregate amount of all the receivables relating to those distributors was reduced to approximately HK\$170 million due to settlement after December 31, 2004. The Company also wishes to emphasise that the Sample Shipping Documents, although reproduced, related to genuine transactions.

The Company has engaged CCIF to conduct an independent investigation on the Sample Shipping Documents. CCIF has relevant experience in conducting similar investigations relating to companies listed in Hong Kong with operations in the People's Republic of China. According to CCIF's interim written report to the Company dated April 19, 2005, the Sample Shipping Documents were inappropriately reproduced by a junior staff member employed by one of the Group's sub-contractors in Chaoyang, the People's Republic of China. In order to save office space and costs in Hong Kong, it has been the Group's practice to store supporting documents of certain sales transactions, including purchase orders, sales confirmation and shipping documents, at the premises of this sub-contractor (which also provides data processing services to the Group). According to CCIF's report, the individual concerned reproduced the Sample Shipping Documents when urged to provide the documents as he could not locate them in time for delivery to the Company in Hong Kong. CCIF indicated that this was an isolated incident and no staff or senior management of the Company was involved or implicated in the incident. CCIF also reported that there was nothing to suggest that the financial systems of the Company are not intact, although there were weaknesses in the internal control systems of the Group and suggested that an independent team comprising external professionals be appointed by the Company to carry out a thorough study to rectify the weaknesses.

As recommended in CCIF's report and in response to DTT's concern regarding whether the Group has proper internal controls, the Company will set up an independent team with experience in reviewing financial reporting and compliance systems, procedures and controls to review the internal control systems of the Group and will make a further announcement upon finalization of the review.

The Board confirms that, apart from the disclosure made in this announcement, there are no other circumstances in respect of the proposed change of auditors which it considers should be brought to the attention of the Shareholders or creditors of the Company. The matters disclosed in this announcement are the only material concerns raised by DTT during their audit.

A circular containing the notice of the SGM and details of DTT's resignation and the proposed appointment of CCIF as the new auditors will be sent to the Shareholders as soon as reasonably practicable.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

|                |  |
|----------------|--|
| “Board”        | the board of Directors   |
| “CCIF”         | CCIF CPA Limited   |
| “Closing Date” | April 19, 2005 (or such other time or date on or before April 26, 2005 as the Company and the Manager shall agree)   |
| “Company”      | Moulin Global Eyecare Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |

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|--------------------------|--|
| “Convertible Bonds”      | HK dollar denominated convertible bonds originally proposed to be issued by the Company pursuant to the Subscription Agreement                       |
| “Directors”              | the directors of the Company   |
| “DTT”                    | Messrs. Deloitte Touche Tohmatsu   |
| “Group”                  | the Company and its subsidiaries   |
| “HK” or “Hong Kong”      | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “HK\$” or “HK dollars”   | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Listing Rules”          | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Manager”                | J.P. Morgan Securities Ltd.  |
| “SGM”                    | the special general meeting of the Company to be convened for the purpose of appointing CCIF as the new auditors of the Company                      |
| “Shareholders”           | holders of the Shares  |
| “Shares”                 | shares of HK\$0.50 each in the share capital of the Company  |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited  |
| “Subscription Agreement” | the subscription agreement dated February 19, 2005 between the Manager and the Company in connection with the issue of the Convertible Bonds         |
| “subsidiary”             | has the meaning ascribed to it under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and “subsidiaries” shall be construed accordingly |

By Order of the Board

**Ma Bo Kee**

*Chairman*

Hong Kong, April 28, 2005

*As at the date of this announcement, the executive directors of the Company are Mr. Ma Bo Kee, Mr. Ma Bo Fung, Mr. Ma Bo Lung, Mr. Ma Lit Kin, Cary, Mr. Ma Hon Kin, Dennis, Mr. Tong Ka Wai, Dicky and Mr. Joseph A. Barrett, and the independent non-executive directors of the Company are Mr. Ng Tai Chiu, David, Mr. Chan Wing Wah, Ivan and Mr. So Kwan Hon, Danny.*

*\* For identification purposes only*

Please also refer to the published version of this announcement in the China Daily.