



**Tungda Innovative Lighting Holdings Limited**

**東大新材料照明控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

**First Quarterly Report 2002 ●**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors of Tungda Innovative Lighting Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Tungda Innovative Lighting Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

Turnover of the Group for the three months ended 30th June, 2002 was approximately HK\$71,676,000.

The unaudited combined net profit for the period was approximately HK\$22,502,000.

To retain cash flow for future development, the Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2002.

## UNAUDITED QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30TH JUNE, 2002

The board of directors (the “Board”) of Tungda Innovative Lighting Holdings Limited (the “Company”) is pleased to announce the unaudited combined results of the Company and its subsidiaries (the “Group”) for the three months ended 30th June, 2002 together with the unaudited comparative figures for the corresponding period in 2001 as follows:

		<b>For the three months ended 30th June,</b>	
		<b>2002</b>	<b>2001</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<b>71,676</b>	20,429
Cost of sales		<b>(44,668)</b>	(16,790)
Gross profit		<b>27,008</b>	3,639
Other income		<b>46</b>	4
Distribution costs		<b>(387)</b>	(138)
Administrative expenses		<b>(1,866)</b>	(1,162)
Profit from operations		<b>24,801</b>	2,343
Finance costs		<b>(99)</b>	(111)
Profit before taxation		<b>24,702</b>	2,232
Taxation	3	<b>(2,200)</b>	(428)
Net profit for the period		<b>22,502</b>	1,804
Dividend		<b>0</b>	0
Earnings per share	4	<b>HK\$3.38 cents</b>	HK\$0.27 cents

*Notes:*

## **1. GROUP REORGANISATION AND BASIS OF PREPARATION**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Company Law (2001 Second Revision) of Cayman Islands on 17th December, 2001. Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group upon completion of the Group Reorganisation on 10th July, 2002. Details of the Group Reorganisation are set out in the Company’s prospectus dated 19th July, 2002 (the “Prospectus”). The Company’s shares were listed on GEM on 26th July, 2002.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the unaudited combined financial statement of the Group for the three months ended 30th June, 2002 have been prepared as if the Company had always been the holding company of the Group in accordance with the Statements of Standard Accounting Practice No.27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants. The unaudited combined results of the Group for the three months ended 30th June, 2001 has been prepared as if the Group Reorganisation had been effective since 1st April, 2001. The directors consider that this basis provides meaningful information for shareholders as regards the historical performance of the companies now comprising the Group.

The principal accounting policies adopted in preparing the unaudited combined results conform with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

All significant intra-group transactions and balances have been eliminated on combination.

## **2. TURNOVER**

The amount received and receivable for goods, net of returns, sales discounts, and value-added tax, where applicable, sold to customers during the period.

## **3. TAXATION**

Taxation charge represents Hong Kong Profits Tax calculated at the rate of 16% (1.4.2001 to 30.6.2001: 16%) on the estimated assessable profit arising in Hong Kong. Light Power (Shenzhen) Co., Ltd (“Light Power”), a wholly owned subsidiary of the Group established in Shenzhen, the People’s Republic of China ( the “PRC”), is subject to PRC Enterprise Income Tax at the rate of 15% as it is a foreign invested enterprise established in the special economic zone in the PRC. Pursuant to the relevant laws and regulations in the PRC, Light Power is entitled to a full exemption of PRC Enterprise Income Tax for a period of two years commencing from the first profitable year, which was commencing on 1st January, 2001, and a 50% reduction of PRC Enterprise Income Tax for the three years thereafter.

#### **4. EARNINGS PER SHARE**

The calculation of earnings per share is based on the unaudited combined net profit for each of the three months ended 30th June, 2001 and 2002 and on the assumption that 666,000,000 shares were deemed to have been issued, comprising 400,000,000 shares in issue as at the date of the Prospectus and the 266,000,000 shares to be issued pursuant to the capitalisation issue, as described more fully in the section headed “Written Resolutions of the sole shareholder of the Company dated 8th July, 2002 and 12th July, 2002” in Appendix 4 of the Prospectus.

No diluted earnings per share have been presented as the Company did not have any dilutive potential ordinary shares during the three months ended 30th June, 2002 and 2001.

#### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2002 (three months ended 30th June, 2001: Nil).

#### **RESERVES**

Other than the net profit for the period, there was no movements of the Group’s reserves during the three months ended 30th June, 2002 (three months ended 30th June, 2001: Nil).

#### **FINANCIAL PERFORMANCE AND BUSINESS REVIEW**

The Group has achieved a satisfactory growth in the operational results for the first quarter of year 2003. For the three months ended 30th June, 2002, the Group has accomplished a revenue of approximately HK\$71,676,000 and a net profit of approximately HK\$22,502,000. This represented a substantial growth by approximately 2.5 times in revenue and 11.5 times in net profit as compared to the corresponding period in the previous year. It was mainly attributable to the continuous market response of the Group’s induction lamp which was launched in November 2001. Gross profit margin of induction lamp remained at the level of approximately 83%.

During the period under review, the administrative and selling expenses accounted for the majorities of the operational expenses. The administrative expenses amounted to approximately HK\$1,866,000 increased by HK\$704,000 was mainly due to the employment of additional staff in line with the increased revenue compared to the corresponding period in the previous year. The selling expenses amounted to approximately HK\$387,000 as compared to approximately HK\$138,000 in the corresponding period in the previous year, which were primarily comprised of advertising and promotional expenses, and travelling expenses.

The Company's Shares were listed on GEM on 26th July, 2002 by way of placing of 255,000,000 shares of HK\$0.01 each in the Company (the "Placing"). The net proceeds attributable to the Company from the placing, after deductions for relevant expenses, was approximately HK\$42.5 million. The Group intends to apply these proceeds in the manner as disclosed in the Prospectus.

## OUTLOOK

The Group will continue to strengthen its research and development on standards of lighting application technology in maximizing customers' satisfaction in terms of (i) long life hours and energy efficiency; (ii) reduced maintenance costs; (iii) improved color performance; (iv) better lumen maintenance; (v) multiple application; and (vi) advanced and innovative technology. As such, the Group will continue to enhance its products and develop new lighting products and the related lighting technology.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Up to the date of this report, the interests of the directors and chief executive of the Company in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of director	Personal Interests	No. of shares held			Other Interests
		Family Interests	Corporate Interests		
Mr. Chu Chien Tung	—	—	633,000,000		—

*Note:* The shares are registered in the name of Standard Exceed Limited, a wholly-owned subsidiary of Tungda Industrial Limited, which in turn is owned as to 33.3334% by Mr. Chu Chien Tung, as to 33.3333% by Mr. Chu Chick Kei and 33.3333% by Mr. Chu Siu Chun. Under the SDI Ordinance, Tungda Industrial Limited is deemed to be interested in the shares which Standard Exceed Limited has interests and Mr. Chu Chien Tung deemed to be interested in all the shares in which Tungda Industrial Limited is interested as he is entitled to exercise more than one-third of the voting power at general meeting of the Tungda Industrial Limited.

Save as disclosed above, up to date of this report, none of the directors and chief executive of the Company or their associated corporations had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance or which required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## **DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

Up to date of this report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures of the Company or any of its subsidiaries, and none of the directors and chief executive of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

## **SUBSTANTIAL SHAREHOLDERS**

Other than the interest disclosed herein in respect of the directors and chief executive of the Company or their respective associates, the register of substantial shareholders maintained under the Section 16(1) of the SDI Ordinance shows that up to the date of this report, the Company had the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

<b>Name</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Standard Exceed Limited ( <i>Note 1</i> )	633,000,000	71.28%
Tungda Industrial Limited ( <i>Note 2</i> )	633,000,000	71.28%
Mr. Chu Chien Tung ( <i>Note 3</i> )	633,000,000	71.28%
Ms. Chan Pik Kam ( <i>Note 4</i> )	633,000,000	71.28%

### *Notes:*

1. Standard Exceed Limited is wholly and beneficially-owned by Tungda Industrial Limited which in turn is beneficially owned as to 33.3334% by Mr. Chu Chien Tung, as to 33.3333% by Mr. Chu Chick Kei and 33.3333% by Mr. Chu Siu Chun.
2. Tungda Industrial Limited is interested in the entire issued share capital of Standard Exceed Limited and is deemed to be interested in all the shares in which Standard Exceed Limited is interested in under the SDI Ordinance.
3. The shares are registered in the name of Standard Exceed Limited, under the SDI Ordinance, Mr. Chu Chien Tung is deemed to be interested in all the shares which Tungda Industrial Limited has interests as he is entitled to exercise more than one-third of the voting power at general meeting of Tungda Industrial Limited.
4. Ms. Chan Pik Kam is the wife of Mr. Chu Chien Tung. Under the SDI Ordinance, she is deemed to have interest in all the shares in which Mr. Chu Chien Tung is interested.

## **SHARE OPTION SCHEME**

Up to the date of this report, no option has been granted by the Company pursuant to the Company's share option scheme adopted on 12th July, 2002.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The shares of the Company commenced trading on GEM on 26th July, 2002. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from 26th July, 2002 to the date of this report.

## **SPONSOR'S INTEREST**

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Limited (the "Sponsor"), up to the date of this report, neither of the Sponsor, nor any of its respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of any Company or any member of the Group.

Pursuant to the sponsor agreement dated 19th July, 2002 entered into between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's retained sponsor for the period from 26th July, 2002 to 31st March, 2005.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which causes or may cause any significant competition with the business of the Group.

## **AUDIT COMMITTEE**

The Company established an audit committee on 8th July, 2002 with written terms of reference in compliance with rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee currently comprises two independent non-executive Directors, namely Miss Chow Sau Fong, Fiona and Mr. Liu Juh, James, and an executive Director, Mr. Chu Chien Tung. The Group's unaudited quarterly results for the three months ended 30th June, 2002 have been reviewed by the audit committee.



## **COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES**

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules during the period.

By Order of the Board

**Chu Chien Tung**

*Chairman*

Hong Kong, 13th August, 2002