

**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

2004/2005



NEW ENERGY OF LIGHT

## **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 (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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 Company and its subsidiaries (collectively the “Group”) for the three months ended 30th June, 2004 (“Period”) was approximately HK\$85,160,000.

The unaudited consolidated net profit of the Group for the Period was approximately HK\$24,899,000.

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2004.

## UNAUDITED QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30TH JUNE, 2004

The board of directors (the “Board”) of Tungda Innovative Lighting Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30th June, 2004 (“Period”) together with the unaudited comparative figures for the corresponding period in 2003 as follows:

	<i>Notes</i>	<b>For the three months ended 30th June,</b>	
		<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Turnover	3	<b>85,160</b>	58,609
Cost of sales		<b>(51,346)</b>	(38,349)
Gross profit		<b>33,814</b>	20,260
Other operating income		<b>214</b>	147
Selling expenses		<b>(1,870)</b>	(2,664)
Administrative expenses		<b>(5,589)</b>	(3,437)
Research and development expenses		<b>(556)</b>	(2,372)
Profit from operations		<b>26,013</b>	11,934
Finance costs		<b>(31)</b>	(71)
Profit before taxation		<b>25,982</b>	11,863
Taxation	4	<b>(1,083)</b>	(1,236)
Net profit for the period		<b>24,899</b>	10,627
Dividend	5	<b>–</b>	–
Earnings per share	6		
– basic		<b>2.25 cents</b>	1.20 cents
– diluted		<b>N/A</b>	N/A

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Accumul- ated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2003	8,880	39,399	(2,128)	9	3,524	76,003	125,687
Exchange difference on translation of oversea subsidiary	–	–	–	4	–	–	4
Net profit for the period	–	–	–	–	–	10,627	10,627
At 30th June, 2003	<u>8,880</u>	<u>39,399</u>	<u>(2,128)</u>	<u>13</u>	<u>3,524</u>	<u>86,630</u>	<u>136,318</u>
At 1st April, 2004	11,056	101,669	(2,128)	9	8,172	143,980	262,758
Exchange difference on translation of oversea subsidiary	–	–	–	(8)	–	–	(8)
Net profit for the period	–	–	–	–	–	24,899	24,899
At 30th June, 2004	<u>11,056</u>	<u>101,669</u>	<u>(2,128)</u>	<u>1</u>	<u>8,172</u>	<u>168,879</u>	<u>287,649</u>

## NOTES

### 1. General

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. The Company's shares are listed on GEM of the Stock Exchange on 26th July, 2002.

The Company's acts as an investment holding company and the principal activities of the Group are trading and manufacturing of light source products.

### 2. Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong, the disclosure requirements of Hong Kong Companies Ordinance and the applicable GEM Listing Rules.

The unaudited consolidated results have been prepared under the historical cost convention.

The accounting policies adopted for the presentation of the unaudited consolidated results are consistent with those adopted by the Group in its annual financial statements for the year ended 31st March, 2004.

The unaudited consolidated results have neither been audited nor reviewed by the Company's auditors, but have been reviewed by the Company's audit committee.

### 3. Turnover

An analysis of the Group's turnover is as follow:

	<b>(Unaudited)</b>	
	<b>For the three months</b>	
	<b>ended 30th June,</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
House brand light source products	<b>43,041</b>	24,421
Agency brand light source products	<b>42,119</b>	34,188
	<b>85,160</b>	<b>58,609</b>

#### 4. Taxation

	<b>(Unaudited)</b>	
	<b>For the three months ended 30th June,</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Hong Kong Profits Tax	<b>1,083</b>	400
PRC Enterprise Income Tax	<b>–</b>	836
	<hr/>	<hr/>
	<b>1,083</b>	1,236
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The charge for Hong Kong Profits Tax is calculated at the rate of 17.5% (for the three months ended 30th June, 2003: 17.5%) on the estimated assessable profit arising in Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, the two subsidiaries of the Company are entitled to exemption from PRC Enterprise Income Tax for two years commencing from their first profit-making year of operation, and thereafter, they are entitled to 50% relief from PRC Enterprise Income Tax for the following three years. The first profit-making year of the respective subsidiary commenced on 1st January, 2001 and 1st January, 2003 respectively.

No provision for deferred taxation for the periods has been made as the amount involved is insignificant.

#### 5. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2004 (three months ended 30th June, 2003: nil).

#### 6. Earnings per share

The calculation of basic earnings per share for the three months ended 30th June, 2004 is based on the unaudited consolidated net profit of approximately HK\$24,899,000 (for the three months ended 30th June, 2003: HK\$10,627,000) and the 1,105,600,000 (for the three months ended 30th June, 2003: 888,000,000) ordinary shares in issue during the period.

No diluted earnings per share was presented as there was no potential dilutive ordinary shares in issue for both periods.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Turnover**

For the three months ended 30th June, 2004, the Group's turnover was approximately HK\$85.20 million representing an increase of approximately by 45.36% from HK\$58.61 million in the same period in 2003. This increase was attributed by the Group's successful marketing efforts to enhance its brand awareness and market recognition, and its quality assurance standards to deliver high quality products to customers.

### **Gross profit margin**

The gross profit margin for the period ended 30th June, 2004 was 39.70% compared to 34.56% for the same period in 2003. The improvement is due to increased contribution from house brand light source products that generally account for higher gross profit margin as compared to agency brand light source products.

### **Other operating income**

The major component of other operating income is interest income which was approximately HK\$204,000 (for the three months ended 30th June, 2003: HK\$128,000). The increase was contributed by the higher cash and bank balances held by the Group.

### **Selling and administrative expenses**

During the period under review, the administrative and selling expenses accounted for the majorities of the operational expenses. The administrative expenses primarily comprised of directors' and staff remuneration, office rental and general administration expense. The administrative expenses increased to approximately HK\$5.59 million due to increased business activities and the provision of social welfare fund of the Company's PRC subsidiaries compared to approximately HK\$3.44 million in the corresponding period in the previous year. The selling expenses amounted to approximately HK\$1.87 million for the period ended 30th June, 2004 as compared to approximately HK\$2.66 million in the corresponding period in the previous year, which primarily comprised of advertising and promotion expenses and sales staff salaries.

## **Research and development expenses**

The Group had spent research and development expenses of approximately HK\$0.57 million (for the three months ended 30th June, 2003: HK\$2.37 million) on new products including low-wattage induction lamps, microwave sulphur lamps, ceramic metal halide lamps and xenon lamps for automobile. The Group has completed the development of induction lamps and proceeded to final development stage for its automobile xenon lamps and microwave sulphur lamps.

## **Net profit**

As a results of the factors discussed above, the net profit attributable to shareholders for the Period increased to approximately HK\$24.90 million from HK\$10.63 million for the same period in 2003.

## **Prospects**

The Board remains positive about its business outlook. Sales of the Group's products are expected to continue growing in the years ahead attributable to the Group's dedication to develop and supply the market with innovative and high quality energy-saving light source products, its commitment in research and development and strategic cooperation to enable the Group to expand its product offerings.

Given the increasing awareness in environmental protection in the lighting industry, the Group is confident that customers will continue to replace the traditional light source product with the Group's products owing to longer life hours and higher energy efficiency. The Group will continue to pursue and focus on its core business of being a manufacturer and provider of high quality light source products.

The Group will use its best endeavor to maximize return to its shareholders in the years ahead.

## **ACQUISITION FOR PROPERTY, PLANT AND EQUIPMENT**

Since the date of listing, the Group had acquired and paid an amount of approximately HK\$22,162,000 for the purchases of production machinery and equipment. In addition, the Group has entered into four contracts of aggregate amount of approximately HK\$102,483,000 for the same purposes. The Group has paid approximately HK\$75,070,000 with outstanding commitments of approximately HK\$27,413,000 in respect of these four contracts. Details of these four contracts are set out in the Company's announcement dated 27th September, 2004.



## RETIREMENT OF EXISTING AND APPOINTMENT OF NEW AUDITORS

The term of office of the Company's auditors, Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, ("Auditors") expired at the close of the Annual General Meeting. The Auditors has informed the Company that they will not be seeking re-appointment. The directors proposed to appoint Messrs. HLB Hodgson Impey Cheng, Certified Public Accountants, (國衛會計師事務所) to fill the vacancy of the Auditors at a forthcoming extraordinary general meeting.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30th June, 2004, the interests of the directors and the chief executives of the Company and their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

### Long positions

(a) *Ordinary shares of HK\$0.01 each of the Company and underlying shares*

Name of director	Capacity	Percentage of	
		Number of issued ordinary shares held	the issued share capital of the Company
Mr. Chu Chien Tung	Held by controlled corporation ( <i>Note</i> )	560,000,000	50.7%

*Note:* These shares were held indirectly by Tungda Industrial Limited ("Tungda Industrial") through its beneficial interest in the entire issued share capital of Standard Exceed Limited. Messrs. Chu Chien Tung, Chu Chick Kei and Chu Siu Chun (father of Messrs. Chu Chien Tung and Chu Chick Kei) jointly hold the entire issued share capital of Tungda Industrial.

(b) *Share options*

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Chu Chien Tung	Beneficial owner	1,054,944	1,054,944
Mr. Chu Chick Kei	Beneficial owner	1,054,944	1,054,944
Mr. Chu Sen Hei	Beneficial owner	10,549,440	10,549,440
Ms. Chow Sau Fong, Fiona	Beneficial owner	3,000,000	3,000,000

Other than as disclosed above, none of the directors and chief executives of the Company and their associates has any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30th June, 2004.

## SUBSTANTIAL SHAREHOLDERS

At 30th June, 2004, the following substantial shareholder (other than a director or chief executive of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of issued ordinary shares held in the Company	Approximate percentage of shareholding
Standard Exceed Limited ( <i>Note 1</i> )	560,000,000	50.7%
Tungda Industrial Limited ( <i>Note 1</i> )	560,000,000	50.7%
Mr. Chu Chien Tung ( <i>Note 2</i> )	560,000,000	50.7%
Ms. Chan Pik Kam ( <i>Note 3</i> )	560,000,000	50.7%

*Notes:*

1. Standard Exceed Limited is wholly and beneficially-owned by Tungda Industrial which in turn is beneficially-owned as to 33.33334% by Mr. Chu Chien Tung, 33.33333% by Mr. Chu Chick Kei and 33.33333% by Mr. Chu Siu Chun. Mr. Chu Siu Chun has no management role in the Group.
2. Under Section 336 of the SFO, Mr. Chu Chien Tung is deemed to have interests in all the shares of the Company which Tungda Industrial has interests as he is entitled to exercise more than one-third of the voting power at general meeting of Tungda Industrial. The other two shareholders of Tungda Industrial, namely Messrs. Chu Chick Kei and Chu Siu Chun, are not so deemed as they are not entitled to exercise more than one-third of the voting power at general meetings of Tungda Industrial.

3. Ms. Chan Pik Kam is the wife of Mr. Chu Chien Tung. Under Section 336 of the SFO, she is deemed to have interest in all the shares in which Mr. Chu Chien Tung is interested.

Save as disclosed above, no other person (other than a director or chief executive of the Company) has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## SHARE OPTIONS

Pursuant to the Company's share option scheme adopted on 12th July, 2002, the board of directors may grant share options to any directors, full time and part time employees of the Group and the consultant or adviser of the Group.

A summary of the movements in the Company's share options during the Period is as follows:

				Number of share options			
		Exercise price	Closing price at	At	Granted	Exercised	At
	Date of grant	price per share	the date of grant	1st April, 2004	during the year	during the year	30th June, 2004
		HK\$	HK\$				
<b>Directors</b>							
Mr. Chu Chien Tung	21st November, 2003	0.452	0.440	1,054,944	–	–	1,054,944
Mr. Chu Chick Kei	21st November, 2003	0.452	0.440	1,054,944	–	–	1,054,944
Mr. Chu Sen Hei	21st November, 2003	0.452	0.440	10,594,440	–	–	10,549,440
Ms. Chow Sau Fong, Fiona	21st November, 2003	0.452	0.440	3,000,000	–	–	3,000,000
Sub-total				15,659,328	–	–	15,659,328
<b>Employees</b>							
	3rd October, 2003	0.345	0.345	33,140,672	–	–	33,140,672
Sub-total				33,140,672	–	–	33,140,672
Total				48,800,000	–	–	48,800,000

Save as disclosed herein, none of the directors and chief executives and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Other than the option holdings disclosed above, at no time during the Period was the Company, its holding companies, fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors of the Company, or their spouses or children under 18 years of age, had any rights to subscribe for the shares of the Company, or had exercised any such right during the Period.

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

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **SPONSOR'S INTEREST**

As updated and notified by the Company's sponsor, China Everbright Capital Limited (the "Sponsor"), neither of the Sponsor, nor any of its respective directors, employees or associates had any interests in the share capital of the Company or any member of the Group as at 30th June, 2004 pursuant to Rule 6.35 of the GEM Listing Rules.

Pursuant to the agreement dated 10th October, 2003 entered into between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 10th October, 2003 to 31st March, 2005 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

## **COMPETING INTERESTS**

During the Period, the board of directors is not aware of any business or interest of each director, management shareholder of the Company and their respective associates that competes or may compete with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

## AUDIT COMMITTEE

The Company established an audit committee on 8th July, 2002 with written terms of reference in compliance with the GEM Listing Rules. The audit committee currently comprises three independent non-executive directors, namely Mr. Zhu Lei Bo, Mr. Hong Yong Hwan and Ms. Wu King Yin. The Group's unaudited consolidated result for the Period have been reviewed by the audit committee, who was of the opinion that such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

## CORPORATE GOVERNANCE

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 three months ended 30th June, 2004 except that certain independent non-executive directors of the Company are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provision of the Company's Articles of Association.

By Order of the Board  
**Chu Chien Tung**  
*Chairman*

Hong Kong, 8th November, 2004

*Executive directors:*

Mr. Chu Chien Tung  
Mr. Chu Chick Kei  
Mr. Chu Sen Hei  
Ms. Chow Sau Fong, Fiona

*Non-executive director:*

Dr. Fung Shiu Lun, Anthony

*Independent non-executive directors:*

Mr. Hong Yong Hwan  
Mr. Zhu Lei Bo  
Ms. Wu King Yin