

Tungda Innovative Lighting Holdings Limited **東大新材料照明控股有限公司**

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 8229)



First Quarterly Report 2006/07

New Energy of LIGHT

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligations to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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.

FIRST QUARTERLY RESULTS

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, 2006 together with the unaudited comparative figures for the corresponding period in 2005 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

| | | For the three months ended 30th June, | |
|-------------------------------|-------|---|-----------------|
| | | 2006 | 2005 |
| | | HK\$'000 | HK\$'000 |
| | Notes | | |
| Turnover | 2 | 12,852 | 8,589 |
| Cost of sales | | (5,756) | (4,990) |
| Gross profit | | 7,096 | 3,599 |
| Other income and gains | | 443 | 346 |
| Selling expenses | | (299) | (509) |
| Administrative expenses | | (4,170) | (3,420) |
| Profit from operations | | 3,070 | 16 |
| Finance costs | | (27) | (19) |
| Profit (Loss) before taxation | | 3,043 | (3) |
| Taxation | 3 | (824) | (367) |
| Profit (Loss) for the period | | 2,219 | (370) |
| Dividend | 4 | – | – |
| Earnings (Loss) per share | 5 | 0.20 HK cents | (0.03) HK cents |

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 | Translation reserve HK\$'000 | General reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---------------------------|--------------------------------------|--------------------------------------|--|--|--|---|--------------------------|
| At 1st April, 2005 | 11,056 | 101,669 | (2,128) | 1 | 16,692 | 204,131 | 331,421 |
| Loss for the period | – | – | – | – | – | (370) | (370) |
| At 30th June, 2005 | 11,056 | 101,669 | (2,128) | 1 | 16,692 | 203,761 | 331,051 |
| At 1st April, 2006 | 11,056 | 101,669 | (2,128) | 5,989 | 17,332 | 172,013 | 305,931 |
| Profit for the period | – | – | – | – | – | 2,219 | 2,219 |
| At 30th June, 2006 | 11,056 | 101,669 | (2,128) | 5,989 | 17,332 | 174,232 | 308,150 |

Notes

1. Basis of preparation

The unaudited consolidated results have been prepared under historical cost convention and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of chapter 18 of the GEM Listing Rules.

The unaudited consolidated results should be read in conjunction with the annual financial statements for the year ended 31st March, 2006.

The unaudited consolidated results have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

The accounting policies and basis of preparation adopted for the preparation of the unaudited consolidated results are consistent with those adopted for the preparation of the annual financial statements for the year ended 31st March, 2006.

2. Turnover

Turnover represents amount received and receivable for goods, net of returns, sales discounts, and value-added tax, where applicable, sold to customers during the three months ended 30th June, 2006.

3. Taxation

| | (Unaudited) | |
|---------------------------|-----------------------------|----------|
| | For the three months | |
| | ended 30th June, | |
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| Current tax: | | |
| Hong Kong Profits Tax | – | – |
| PRC Enterprise Income Tax | 824 | 367 |
| | 824 | 367 |

No provision for Hong Kong Profits Tax has been made for the three months ended 30th June, 2006 and 2005 as the Group has no estimated assessable profits arising in or derived from 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.

4. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2006 (three months ended 30th June, 2005: Nil).

5. Earnings (Loss) per share

The calculation of the basic and diluted earnings (loss) per share for the three months ended 30th June, 2006 and 2005 is based on the following data:

| | (Unaudited) | |
|---|-----------------------------|-----------------|
| | For the three months | |
| | ended 30th June, | |
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| Profit (Loss) for the purpose of calculation of basic earnings (loss) per share | 2,219 | (370) |
| Weighted average number of shares for the purpose of calculation of basic earnings (loss) per share | 1,105,600,000 | 1,105,600,000 |

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

REVIEW

Operating results

For the three months ended 30th June, 2006 ("Period"), the Group's turnover was approximately HK\$12.85 million, representing an increase of approximately 49.59% as compared to approximately HK\$8.59 million of last corresponding period.

The gross profit margin for the Period was 52.21% compared to 41.90% for the same period in 2005 as house brand products, which generally had higher margin, accounted for higher proportion of the total turnover during the Period.

Trading in the shares of the Company has been suspended on the Stock Exchange since 29th July, 2004 and officers of the Commercial Crime Bureau of the Hong Kong Police Force have executed a warrant for search and seizure against the premises of the Group in March, 2005. Certain customers, to whom the Group has offered five years general product guarantee for the Group's products, are hesitating if the Group will be able to honor the guarantee should the product fail to operate. Order from these customers has not yet recovered.

Other income and gains

The major component of other income and gains approximately HK\$0.44 million was interest income for the Period as compared to approximately HK\$0.35 million for the same period in 2005.

Selling and administrative expenses

The selling expenses for the Period primarily comprised of salaries and delivery expenses. The amount decreased because of decrease in advertisement expenses and transitional decrease in marketing staff during the Period.

The administrative expenses comprised primarily of directors' and staff remuneration, entertainment, professional fees, and rental expenses. The administrative expenses increased to approximately HK\$4.17 million due to increase in business trip expenses, certain staff cost and entertainment expenses and general increase in other expenses, as compared to approximately HK\$3.42 million in the corresponding period in 2005.

Profit for the period

As a result of the factors discussed above, the profit for the three months ended 30th June, 2006 was approximately HK\$2.22 million as compared to loss approximately HK\$(0.37) million for the same period in 2005.

PROPERTY, PLANT AND EQUIPMENT

There was no material acquisitions of property, plant and equipment by the Group during the Period.

As set out in the Company's announcement dated 27th September, 2004, the Group had entered into four contracts for the purchases of machinery and equipment of aggregate amount approximately HK\$102,483,000. The contract for induction lamp machinery of aggregate amount approximately HK\$21,000,000 was completed in the financial year ended 31st March, 2005. Details of the three outstanding contracts were set out in the Company's annual report for the year ended 31st March, 2006.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30th June, 2006, 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 | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|--------------------|--|---|--|
| Mr. Chu Chien Tung | Held by controlled corporation (Note) | 560,000,000 | 50.65% |

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 directors | 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 |

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, 2006.

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 | | | |
|--------------------|---------------------------|--|-------|-------------------------|----------------------|----------------------|--------------------|
| | | | | At | Granted | Exercised | At |
| | | | | 1st April, 2006 | during the period | during the period | 30th June, 2006 |
| Date of grant | Exercise price HK\$ | Close price at the date of grant HK\$ | | | | | |
| Directors | | | | | | | |
| 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 | 10,549,440 | – | – | 10,549,440 |
| Sub-total | | | | 12,659,328 | – | – | 12,659,328 |
| Employees | | | | | | | |
| | 3rd October, 2003 | 0.345 | 0.345 | 33,140,672 | – | – | 33,140,672 |
| Total | | | | 45,800,000 | – | – | 45,800,000 |

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.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2006, the following substantial shareholders (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:

Long positions

Ordinary shares of HK\$0.01 of the Company

| Name of shareholders | Number of issued ordinary shares held | Approximate percentage of shareholding |
|---|--|--|
| Standard Exceed Limited (<i>Note 1</i>) | 560,000,000 | 50.65% |
| Tungda Industrial Limited (<i>Note 1</i>) | 560,000,000 | 50.65% |
| Mr. Chu Chien Tung (<i>Note 2</i>) | 560,000,000 | 50.65% |
| Ms. Chan Pik Kam (<i>Note 3</i>) | 560,000,000 | 50.65% |

Notes:

- 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.
- 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 meetings 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.
- 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.

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.

PURCHASE, SALE 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.

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 of two independent non-executive directors, Mr. Zhu Lei Bo and Mr. Hong Yong Hwan. The Group's unaudited consolidated results for the three months ended 30th June, 2006 have been reviewed by the audit committee.

By Order of the Board

Chu Chien Tung

Chairman

Hong Kong, 11th August, 2006

Executive directors:

Mr. Chu Chien Tung

Mr. Chu Chick Kei

Mr. Chu Sen Hei

Non-executive director:

Dr. Fung Shiu Lun, Anthony

Independent non-executive directors:

Mr. Zhu Lei Bo

Mr. Hong Yong Hwan