

FIRST QUARTERLY  
REPORT

2007/08



**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)

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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.*

## HIGHLIGHTS

Turnover of the Group for the three months ended 30th June, 2007 was approximately HK\$13.27 million representing a slightly increase of 3.27% as compared with that of the corresponding period in 2006.

Profit for the Period attributable to shareholders amounted to approximately HK\$3.56 million.

Earnings per share for the period was HK0.32 cents.

The Board does not recommend the payment of an interim dividend in respect of the three months ended 30th June, 2007.

## FIRST QUARTERLY REPORT

The board of directors (the "Board") of Tungda Innovative Lighting Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 30th June, 2007 together with the unaudited comparative figures for the corresponding period in 2006 as follows:

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

**For the  
three months ended  
30th June,**

	<i>Notes</i>	<b>2007 HK\$'000</b>	2006 HK\$'000
Turnover	<i>3</i>	<b>13,269</b>	12,852
Cost of sales		<b>(4,897)</b>	(5,756)
Gross profit		<b>8,372</b>	7,096
Other income		<b>561</b>	443
Selling expenses		<b>(387)</b>	(299)
Administrative expenses		<b>(4,134)</b>	(4,170)
Profit from operations		<b>4,412</b>	3,070
Finance costs		<b>(3)</b>	(27)
Profit before taxation		<b>4,409</b>	3,043
Taxation	<i>4</i>	<b>(853)</b>	(824)
Profit for the period		<b>3,556</b>	2,219
Dividend	<i>5</i>	–	–
Earnings per share	<i>6</i>	<b>0.32 HK cents</b>	0.20 HK cents

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Special reserve</b> <i>HK\$'000</i>	<b>Translation reserve</b> <i>HK\$'000</i>	<b>General reserve</b> <i>HK\$'000</i>	<b>Retained profit</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
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
At 1st April, 2007	11,056	101,670	(2,128)	18,655	17,383	177,759	324,395
Currency translation differences	–	–	–	6,905	–	–	6,905
Profit for the period	–	–	–	–	–	3,556	3,556
At 30th June, 2007	11,056	101,670	(2,128)	25,560	17,383	181,315	334,856

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 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 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

This unaudited condensed consolidated results ("Results") has 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 Accounts ("HKICPA") and applicable GEM Listing Rules.

This Results has been prepared in consistent with the accounting policies and basis of preparation adopted for the preparation of the Group's annual financial statements for the year ended 31st March, 2007.

This Results has been reviewed by the audit committee but not by the external auditors of the Company.

### 3. 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, 2007.

An analysis of the Group's turnover is set out as follows:

	<b>(Unaudited)</b>	
	<b>For the</b>	
	<b>three months ended</b>	
	<b>30th June,</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		
Sales of light source products	<b>13,269</b>	12,852

**4. Taxation**

(Unaudited)  
For the  
three months ended  
30th June,  
2007                      2006  
**HK\$'000**                      *HK\$'000*

Current tax:		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax	<b>853</b>	824
	<b>853</b>	824

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in or derived from Hong Kong for the respective three months ended 30th June, 2007 and 2006.

Pursuant to the relevant laws and regulations in the PRC, Tungda Lighting (Fujian) Company Limited ("Tungda Fujian"), a subsidiary of the Company is 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 which is charged at 24% for the following three years. The first profit-making year of Tungda Fujian in PRC commenced on 1st January, 2003.

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, 2007 (three months ended 30th June, 2006: Nil).

## 6. Earnings per share

The calculation of the basic and diluted earnings per share for the three months ended 30th June, 2007 and 2006 is based on the following data:

	<b>(Unaudited)</b> <b>For the</b> <b>three months ended</b> <b>30th June,</b> <b>2007</b> <b>HK\$'000</b>		2006 HK\$'000
Profit for the period and earnings for the purpose of calculation of basic earnings per share	<b>3,556</b>		2,219
Weighted average number of shares for the purpose of calculation of basic earnings per share	<b>1,105,600,000</b>		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 AND PROSPECT

### Operating results

For the three months ended 30th June, 2007 ("Period"), the Group's turnover was approximately HK13.27 million, representing a slightly increase of approximately 3.27% as compared to approximately HK\$12.85 million of last corresponding period.

The gross profit margin for the Period was 63.09% compared to 55.21% for the same period in 2006 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 with reference to the announcement of the Company dated 16th March, 2005 that 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 and arrested the executive directors of the Company in March, 2005; as of 11th January, 2007, the bail conditions of the relevant executive directors have been lifted and they were released unconditionally, and no charges have been brought against them. In order to resume the share trading as soon as possible and smooth the relevant process, the Company has actively communicated with relevant section of the Stock Exchange of Hong Kong Limited since January 2007.

### Other income

The major component of other income approximately HK\$0.56 million was interest income for the Period as compared to approximately HK\$0.44 million for the same period in 2006.

## **Selling and administrative expenses**

The selling expenses amounted to approximately HK\$0.39 million for the Period as compared to approximately HK\$0.30 million in the corresponding period in the previous year which were primarily comprised of salaries, business promotion expenses and delivery expenses. The amount increased because of increasing in business promotion expenses during the Period.

The administrative expenses comprised primarily of directors' and staff remuneration, entertainment, rental expenses and general administrative expenses. The administrative expenses remained at approximately HK\$4.13 million for the Period as compared to approximately HK\$4.17 million in the corresponding period in 2006.

## **Profit for the Period**

As a result of the factors discussed above, the profit for the three months ended 30th June, 2007 was approximately HK\$3.56 million as compared to the profit approximately HK\$2.22 million for the same period in 2006.

## **Prospect**

The Board remains positive about the business and believes that the Group's sales will grow continuously in the future as more customers are now concerning the importance of environmental protection, and therefore, they are intending to use energy efficient light products with longer life hours in stead of traditional light products with shorter life hours and high consumption powers.

## **PROPERTY, PLANT AND EQUIPMENT**

There was no material acquisition 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 remaining three contracts were set out in the Company's annual report for the year ended 31st March, 2007.

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

At 30th June, 2007, the interests of the directors and the chief executive officer 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**

<b>Name of directors</b>	<b>Capacity</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
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 executive officer 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, 2007.

**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			
Date of grant	Exercise price <i>HK\$</i>	Closing price at the date of grant <i>HK\$</i>		At 1st	Granted	Exercised	At 30th
				April, 2007	during the period	during the period	June, 2007
<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	10,549,440	–	–	10,549,440
Sub-total				12,659,328	–	–	12,659,328
<b>Employees</b>							
	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 executive officer 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 company, 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 debenture 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, 2007, the following substantial shareholders (other than a director or chief executive officer 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 each of the Company*

<b>Name of shareholders</b>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage of shareholding</b>
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:*

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 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.
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 officer 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 compete 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 accordance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules except that the audit committee currently comprises only two members (independent non-executive directors, Mr. Zhu Lei Bo and Mr. Hong Yong Hwan) and is not in compliance with Rule 5.28 of the GEM Listing Rules which requires, among others, the audit committee must comprise a minimum of three members. The Group's unaudited condensed consolidated results for the three months ended 30th June, 2007 have been reviewed by the audit committee but not by the external auditors of the Company.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard of dealings and the relevant code of conduct regarding securities transactions by directors during the period under review.

## CORPORATE GOVERNANCE

According to Rule 5.05 and Rule 5.28 of the GEM Listing Rules, every board of directors of an issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. However, the Board has only two independent non-executive directors and the audit committee comprises only two members. Therefore, the Company has been unable to strictly comply with the relevant requirements of the GEM Listing Rules. The Company will arrange to appoint suitable candidate(s) for taking up the vacancies.

The Company has, during the three months ended 30th June, 2007, complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules with deviation as mentioned below.

- (1) Code Provision A.2.1 requires the separation of the roles of Chairman and Chief Executive Officer.

The Company does not have an officer with the title of "Chief Executive Officer". Mr. CHU Chien Tung is responsible for the management of the Board and strategic development of the Company. Mr. CHU Chick Kei and Mr. CHU Sen Hei respectively are responsible for the day to day management of the Group. Mr. CHU Chien Tung is also responsible for the overall management of and decision of the Group. This constitutes a deviation of the Code Provision of A.2.1. As Mr. CHU Chien Tung has extensive experience in the industry, the Board considers that the arrangement is beneficial to the Group as a whole. Despite the aforesaid, the Board will review such arrangement from time to time and consider the appointment of a Chief Executive Officer in the best interest of the Company and its shareholders.

- (2) Code Provision A.4.1 requires that non-executive directors should be appointed for specific term, subject to re-election.

The Company has deviated from this provision in that all non-executive directors and independent non-executive directors are not appointed for specific term. They are, however subject to retirement by rotation at each annual general meeting of the Company and being eligible for re-election according to the Company's Articles of Association.



- (3) Code Provision B.1.1 requires the establishment of a remuneration committee with specific written terms of reference.

The Company has not established a remuneration committee, the board of directors is authorised by the shareholders at annual general meeting to fix the remuneration of the directors whereas a director shall abstain from voting in respect of any remuneration and fees paid to his interest.

- (4) Code Provision C.2.1 requires at least annually conduct a review of the effectiveness of the system of internal control.

The Company has not conducted an annual review of the effectiveness of the system of internal control as the Board considered that resumption trade of shares is need to dealt with priority during the Period. At the same time, an effective internal control is one of important factors for resumption trade of shares; therefore, the Company will conduct a review of the effectiveness of the system of internal control in order to comply with the Code Provision.

By Order of the Board

**Chu Chien Tung**

*Chairman*

Hong Kong, 8th August, 2007

*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