

THIRD 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.

THIRD QUARTERLY RESULTS

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 nine months and three months ended 31st December, 2007 together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the nine months ended 31st December, 2007		For the three months ended 31st December, 2007	
		2006	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	38,306	39,726	12,684	13,540
Cost of sales		(14,677)	(16,695)	(5,026)	(5,361)
Gross profit		23,629	23,031	7,658	8,179
Other income		1,902	1,498	755	489
Selling expenses		(1,140)	(1,112)	(423)	(492)
Administrative expenses		(9,966)	(14,978)	(3,301)	(3,414)
Profit from operations		14,425	8,439	4,689	4,762
Finance costs		(6)	(13)	(1)	(4)
Profit before taxation		14,419	8,426	4,688	4,758
Taxation	5	(2,505)	(1,746)	(817)	(842)
Profit for the period		11,914	6,680	3,871	3,916
Dividend	6	–	–	–	–
Earnings per share	7	1.08 HK cents	0.60 HK cents	0.35 HK cents	0.35 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 profit HK\$'000	Total HK\$'000
At 1st April, 2006	11,056	101,669	(2,128)	5,989	17,332	172,013	305,931
Currency translation differences	–	–	–	6,595	–	–	6,595
Profit for the period	–	–	–	–	–	6,680	6,680
At 31st December, 2006	11,056	101,669	(2,128)	12,584	17,332	178,693	319,206
At 1st April, 2007	11,056	101,670	(2,128)	18,655	17,383	177,759	324,395
Currency translation differences	–	–	–	9,502	–	–	9,502
Profit for the period	–	–	–	–	–	11,914	11,914
At 31st December, 2007	11,056	101,670	(2,128)	28,157	17,383	189,673	345,811

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. Basic 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 Accountants ("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 nine months and three months ended 31st December, 2007.

4. Segmental information

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

Business segments

	(Unaudited) For the six months ended 31st December, 2007		(Unaudited) For the three months ended 31st December, 2007	
	2006	2007	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover				
House brand light source products	30,568	30,064	9,798	9,428
Agency brand light source products	7,738	9,662	2,886	4,112
	38,306	39,726	12,684	13,540

Geographical segments

The Group's operations are located in the People's Republic of China ("PRC") and Hong Kong. The following tables provide an analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods:

	(Unaudited) For the six months ended 31st December, 2007		(Unaudited) For the three months ended 31st December, 2007	
	2006	2006	2006	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	8,614	8,897	2,928	3,346
Europe	14,840	15,007	4,878	5,073
U.S.A.	14,840	15,007	4,878	5,073
Others	12	815	–	48
	38,306	39,726	12,684	13,540

5. Taxation

	(Unaudited) For the six months ended 31st December, 2007		(Unaudited) For the three months ended 31st December, 2007	
	2006	2006	2006	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
Hong Kong Profits Tax	–	–	–	–
PRC Enterprise Income Tax	2,505	1,746	817	842
	2,505	1,746	817	842

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 nine months ended 31st December, 2007 and 2006.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary of the Company is entitled to exemption from PRC Enterprise Income Tax for two years commencing from its first profit making year of operation, and thereafter, it is entitled to 50% relief from PRC Enterprise Income Tax for the following three years. The first profit-making year of the subsidiary commenced on 1st January, 2003.

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

6. Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31st December, 2007 (nine months ended 31st December, 2006: Nil).

7. Earnings per share

The calculation of the basic and diluted earnings per share for the nine and three months ended 31st December, 2007 and 2006 is based on the following data:

	(Unaudited) For the six months ended 31st December, 2007		(Unaudited) For the three months ended 31st December, 2007	
	2006	2007	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period and earnings for the purpose of calculation of basic earnings per share		11,914	6,680	3,871
Weighted average number of shares for the purpose of calculation of basic earnings per share		1,105,600,000	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 nine months ended 31st December, 2007 ("Period"), the Group's turnover was approximately HK\$38.31 million, representing a decrease of approximately 3.57% as compared to approximately HK\$39.73 million of last corresponding period.

The gross profit margin for the Period was 61.68% compared to 57.97% 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\$1.90 million was interest income for the Period as compared to approximately HK\$1.50 million for the same period in 2006.

Selling and administrative expenses

The selling expenses for the Period primarily comprised of salaries, business promotion and delivery expenses. The amount during the Period remained relatively stable as compared with the corresponding period in 2006.

The administrative expenses comprised primarily of directors' and staff remuneration, entertainment, professional fees, rental expenses and general administrative expenses. The administrative expenses decreased to approximately HK\$9.97 million mainly due to decrease in rental expense and non-recurrence of adhoc repair for factory building and infrastructure in 2006, as compared to approximately HK\$14.98 million in the corresponding period in 2006.

Profit for the period

As a result of the factors discussed above, the profit for the nine months ended 31st December, 2007 was approximately HK\$11.91 million as compared to the profit approximately HK\$6.68 million for the same period in 2006.

PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 31st December 2007, there was no material acquisition of property, plant and equipment by the Group.

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 other 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 31st December, 2007, 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 31st December, 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:

		Exercise price	Close price at the date of grant	Number of share options			
				At 1st April, 2007	Granted during the period	Exercised during the period	At 31st December, 2007
Date of grant		HK\$	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 31st December, 2007, 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 each 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 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 nine months ended 31st December, 2007 has 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 nine months ended 31st December, 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 director 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 authorized 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, 14th February, 2008

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