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## TC ORIENT LIGHTING HOLDINGS LIMITED 達進東方照明控股有限公司

(Incorporated in the Cayman Islands with limited liability)

website: www.tatchun.com

(Stock Code: 515)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The board of directors (the “Board”) of TC Orient Lighting Holdings Limited (the “Company”) is pleased to announce the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011.

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 HK\$'000	2010 HK\$'000
Turnover	3	1,194,521	997,112
Cost of sales		(976,270)	(841,815)
Gross profit		218,251	155,297
Other income	4	47,229	44,981
Other gains and losses	5	(4,965)	(8,221)
Selling and distribution expenses		(36,557)	(37,838)
Administrative expenses		(100,119)	(74,826)
Finance costs	6	(11,418)	(11,050)
Profit before tax		112,421	68,343
Income tax expense	7	(41,408)	(18,867)
Profit for the year	8	71,013	49,476
<b>Other comprehensive income</b>			
Exchange differences arising on translation		13,976	–
Surplus on revaluation of properties		17,511	7,592
Deferred tax liabilities arising from revaluation of properties		(4,378)	(1,898)
Other comprehensive income for the year		27,109	5,694
Total comprehensive income for the year		98,122	55,170

	<i>NOTES</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		<b>51,014</b>	42,504
Non-controlling interests		<b>19,999</b>	6,972
		<u><b>71,013</b></u>	<u>49,476</u>
Total comprehensive income attributable to:			
Owners of the Company		<b>74,768</b>	48,198
Non-controlling interests		<b>23,354</b>	6,972
		<u><b>98,122</b></u>	<u>55,170</u>
Earnings per share	9		
Basic		<u><b>HK\$0.12</b></u>	<u>HK\$0.14</u>
Diluted		<u><b>HK\$0.11</b></u>	<u>HK\$0.13</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2011**

	<i>NOTES</i>	<b>2011</b> <b>HK\$'000</b>	2010 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>443,150</b>	434,398
Prepaid lease payments – non-current portion		<b>21,305</b>	21,920
Intangible assets		<b>53,462</b>	53,589
Interest in an associate		<b>2</b>	–
Trade receivables with extended credit terms	<i>11(a)</i>	<b>190,106</b>	70,840
Deposits paid for acquisition of property, plant and equipment		<b>2,743</b>	7,296
		<b>710,768</b>	588,043
<b>Current assets</b>			
Inventories		<b>126,917</b>	120,416
Prepaid lease payments – current portion		<b>615</b>	615
Trade and other receivables	<i>11(a)</i>	<b>629,528</b>	372,436
Bills receivable	<i>11(b)</i>	<b>5,681</b>	8,063
Tax recoverable		<b>–</b>	2,940
Derivative financial instruments		<b>495</b>	1,455
Pledged bank deposits		<b>194,766</b>	251,730
Bank balances, deposits and cash		<b>194,260</b>	148,266
		<b>1,152,262</b>	905,921
<b>Current liabilities</b>			
Trade and other payables	<i>12(a)</i>	<b>314,338</b>	230,188
Bills payable	<i>12(b)</i>	<b>90,614</b>	118,412
Amount due to a shareholder		<b>–</b>	5,000
Derivative financial instruments		<b>1,409</b>	1,179
Taxation payable		<b>71,777</b>	35,856
Bank borrowings – due within one year	<i>13</i>	<b>377,402</b>	428,451
Obligations under finance leases – due within one year		<b>9,815</b>	18,363
		<b>865,355</b>	837,449
Net current assets		<b>286,907</b>	68,472
Total assets less current liabilities		<b>997,675</b>	656,515
<b>Non-current liabilities</b>			
Obligations under finance leases – due after one year		<b>12,038</b>	13,640
Deferred tax liabilities		<b>16,521</b>	11,743
		<b>28,559</b>	25,383
Net assets		<b>969,116</b>	631,132
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>44,188</b>	36,773
Reserves		<b>856,011</b>	553,963
Equity attributable to owners of the Company		<b>900,199</b>	590,736
Non-controlling interests		<b>68,917</b>	40,396
Total equity		<b>969,116</b>	631,132

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED 31 DECEMBER 2011*

**1. GENERAL**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Mr. Yeung Hoi Shan (“Mr. Yeung”) is a controlling shareholder of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

The Company acts as an investment holding company.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”):

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the adoption of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

***Amendments to HKAS 1 Presentation of Financial Statements***  
***(as part of Improvements to HKFRSs issued in 2010)***

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets <sup>1</sup> Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKFRS 7 and HKFRS 9 HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosure <sup>3</sup> Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>5</sup>
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets <sup>4</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>6</sup>
HK(IFRIC) Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2014.

### ***HKFRS 13 Fair Value Measurement***

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope. HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

### ***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

### 3 REVENUE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
An analysis of the Group's revenue is as follows:		
Sales of printed circuit boards ("PCB")	860,114	882,713
Sales of light emitting diode ("LED") lighting	334,407	114,399
	<u>1,194,521</u>	<u>997,112</u>

### 4. OTHER INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Bank interest income	7,482	2,087
Imputed interest on trade receivables with extended credit terms	8,571	190
Rental income	198	551
Sales of scrap materials	26,764	32,694
Government grants ( <i>note</i> )	3,510	4,536
Licensing income	–	4,114
Others	704	809
	<u>47,229</u>	<u>44,981</u>

*Note:* Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries in Zhongshan City. The government grants have no conditions or contingencies attached to them and they are non-recurring in nature.

### 5. OTHER GAINS AND LOSSES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Net foreign exchange loss	(5,016)	(11,560)
Impairment loss recognised on trade receivables	(224)	(1,108)
Fair value changes on derivative financial instruments	(384)	1,862
Reversal of impairment loss previously recognised on trade receivables	659	2,112
Fair value changes on investment properties	–	700
Loss on disposal of property, plant and equipment	–	(227)
	<u>(4,965)</u>	<u>(8,221)</u>

## 6. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest on:		
— bank and other borrowings wholly repayable within five years	10,473	7,996
— obligations under finance leases	945	1,101
Imputed interest on amount due to a shareholder	—	674
Effective interest expense on convertible loan notes	—	1,279
	<u>11,418</u>	<u>11,050</u>

## 7. INCOME TAX EXPENSE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	2	—
Underprovision in prior years in respect of Hong Kong Profits Tax	253	—
PRC Enterprise Income Tax (“EIT”) (including PRC withholding tax of HK\$2,800,000 (2010: HK\$1,023,000))	40,753	22,403
	<u>41,008</u>	<u>22,403</u>
Deferred tax	400	(3,536)
	<u>41,408</u>	<u>18,867</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

During the year ended 31 December 2010, no provision for Hong Kong Profits Tax had been made in the consolidated financial statements as the Group had no assessable profit.

Under the Law of the People’s Republic of China on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Guangdong Tat Chun Electric Technology Company Limited (“Guangdong Tat Chun”), a wholly owned subsidiary of the Company, is entitled to an exemption from the PRC EIT for the first two years commencing from its first profit-making year of operation, and thereafter, it will be entitled to a 50% relief from the PRC EIT for the following three years (“Tax Holiday”). Under the EIT Law, the reduced tax rate for the 50% relief from the PRC EIT is 12.5%. After the expiry of the tax relief period, Guangdong Tat Chun is subject to an income tax rate of 25%. The first profit-making year of operation of Guangdong Tat Chun was 2008 and its tax rate of the PRC EIT was 12.5% for both years.

## 8. PROFIT FOR THE YEAR

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Employee benefits expenses, including directors' remuneration	135,738	128,190
Share-based payments	15,721	6,179
Retirement benefit schemes contributions	5,044	4,217
Total employee expenses	<u>156,503</u>	<u>138,586</u>
Auditor's remuneration	1,600	1,530
Cost of inventories recognised as an expense	976,270	841,815
Depreciation of property, plant and equipment	61,716	53,434
Amortisation of intangible assets (included in cost of sales)	7,585	1,587
Release of prepaid lease payments	<u>615</u>	<u>615</u>

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributed to the owners of the Company)	<u>51,014</u>	<u>42,504</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	433,811,622	298,958,514
Effect of dilutive potential ordinary shares:		
Share options	8,519,654	9,860,107
Warrants	<u>2,285,038</u>	<u>9,033,512</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>444,616,314</u>	<u>317,852,133</u>

For the year ended 31 December 2010, the computation of diluted earnings per share does not assume the conversion of the Company's convertible loan notes since their exercise would result in an increase in earnings per share.

For the year ended 31 December 2011, weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the 200,000 ordinary shares repurchased but not yet cancelled by the Group.



## 10. DIVIDENDS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2010 Final dividend of HK2.5 cent per share		
(2010: 2009 Final dividend of HK1 cent per share)	<u>10,944</u>	<u>3,060</u>

The directors recommend the payment of a final dividend of HK2.0 cents per share for the year ended 31 December 2011 to the shareholders whose names appear on the register of members on 8 June 2012, amounting to approximately HK\$8,850,000. The final dividend is subject to approval by the shareholders in the forthcoming general meeting.

## 11. TRADE, BILLS AND OTHER RECEIVABLES

### (a) Trade and other receivables

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade receivables with normal credit terms	259,536	322,676
Trade receivables with extended credit terms	<u>472,162</u>	<u>76,521</u>
Total trade receivables	731,698	399,197
Less: Allowance for doubtful debts	<u>(15,342)</u>	<u>(20,982)</u>
Total trade receivables, net of allowance for doubtful debts	716,356	378,215
Less: non-current portion of trade receivables with extended credit terms	<u>(190,106)</u>	<u>(70,840)</u>
Current portion of trade receivables	526,250	307,375
Advances to suppliers	51,874	7,334
Other receivables and prepayments	<u>51,404</u>	<u>57,727</u>
Amounts shown under current assets	<u>629,528</u>	<u>372,436</u>

The Group generally allows an average credit period of 30 days to 150 days to its trade customers with normal credit terms and credit period ranging from one year to ten years to its trade customers with extended credit terms which is based on the contractual repayment schedule. The following is an aged analysis of trade receivables with normal credit terms and trade receivables with extended credit terms, net of allowance for doubtful debts, respectively, presented based on the invoice date at the end of the reporting period:

	Extended credit terms		Normal credit terms		Total	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 - 30 days	115,786	76,521	64,424	118,081	180,210	194,602
31 - 60 days	51,145	–	57,262	81,920	108,407	81,920
61 - 90 days	69,731	–	57,022	54,138	126,753	54,138
91 - 180 days	25,285	–	58,203	45,048	83,488	45,048
Over 180 days	210,215	–	7,283	2,507	217,498	2,507
	<u>472,162</u>	<u>76,521</u>	<u>244,194</u>	<u>301,694</u>	<u>716,356</u>	<u>378,215</u>

- (b) Included in the bills receivable is an amount of HK\$4,035,000 (2010: HK\$8,063,000) aged within 30 days at the end of the reporting period. The remaining balance is aged within 91-180 days at the end of the reporting period.

## 12. TRADE, BILLS AND OTHER PAYABLES

### (a) Trade and other paybles

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 - 30 days	<b>74,906</b>	41,774
31 – 60 days	<b>29,581</b>	35,968
61 – 90 days	<b>26,690</b>	32,126
91 – 180 days	<b>84,996</b>	69,333
Over 180 days	<b>18,526</b>	13,824
	<u><b>234,699</b></u>	<u>193,025</u>

The credit period on purchases of goods ranged from 90 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

### (b) Bills payable

The aged analysis of bills payable is as follows:

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 – 30 days	<b>17,913</b>	9,422
31 – 60 days	<b>6,234</b>	31,498
61 – 90 days	<b>9,436</b>	12,665
91 – 180 days	<b>57,031</b>	64,827
	<u><b>90,614</b></u>	<u>118,412</u>

### 13. BANK BORROWINGS

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Bank loans	<b>328,339</b>	361,399
Trust receipt loans	<b>49,063</b>	67,052
	<u><b>377,402</b></u>	<u>428,451</u>
Analysed as:		
Secured	<b>320,683</b>	320,807
Unsecured	<b>56,719</b>	107,644
	<u><b>377,402</b></u>	<u>428,451</u>
Fixed-rate borrowings	<b>327,614</b>	350,952
Variable-rate borrowings	<b>49,788</b>	77,499
	<u><b>377,402</b></u>	<u>428,451</u>
Carrying amounts repayable within one year based on scheduled repayment dates set out in the loan agreements	<b>373,274</b>	421,879
Carrying amounts not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<b>4,128</b>	6,572
	<u><b>377,402</b></u>	<u>428,451</u>
Less: Amounts due within one year shown under current liabilities	<u><b>(377,402)</b></u>	<u>(428,451)</u>
Amounts shown under non-current liabilities	<u><b>–</b></u>	<u>–</u>

The bank borrowings were secured by assets of the Group as disclosed in note 16.

The contractual interest rates of variable-rate bank loans are HIBOR plus 1.75% to 4.5% (2010: HIBOR plus 1.75% to 2.65%) per annum. Interest is repriced every year.

The ranges of interest rates on the Group's borrowings are as follows:

	<b>2011</b>	2010
Effective interest rate:		
Fixed-rate borrowings	<b>0.86% to 5.05%</b>	0.88% to 5.31%
Variable-rate borrowings	<b>1.78% to 6.02%</b>	2.48% to 3.53%

## 14. SHARE CAPITAL AND WARRANTS

### (i) Share Capital

	Number of shares	Nominal value HK'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2010	240,000,000	24,000
Issue of shares	48,000,000	4,800
Issued in consideration for the acquisition of intellectual properties	15,137,803	1,514
Exercise of share options	13,988,000	1,399
Exercise of warrants	30,600,000	3,060
Conversion of convertible loan notes	<u>20,000,000</u>	<u>2,000</u>
At 31 December 2010	367,725,803	36,773
issue of shares ( <i>note a</i> )	60,000,000	6,000
Exercise of share options ( <i>note b</i> )	6,256,000	625
Exercise of warrants ( <i>note c</i> )	12,400,000	1,240
Shares repurchased and cancelled ( <i>note d</i> )	<u>(4,498,000)</u>	<u>(450)</u>
At 31 December 2011	<u>441,883,803</u>	<u>44,188</u>

#### Notes:

The movements in the ordinary share capital for the year ended 31 December 2011 were as follows:

- (a) On 25 January 2011, 60,000,000 ordinary shares of HK\$0.1 each of the Company were placed at a price of HK\$3.79 per placing share, representing a discount of approximately 13.07% to the closing market price of the Company's shares on 13 January 2011 through a top-up placing and subscription arrangement. The proceeds were used to provide additional working capital for the Company. These shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 7 June 2010.
- (b) The Company issued 1,780,000, 510,000 and 3,966,000 ordinary shares of HK\$0.1 each in the Company for cash at HK\$1.52, HK\$1.50 and HK\$1.07 per share, respectively, as a result of the exercise of share options.
- (c) The Company issued 5,000,000 and 7,400,000 ordinary shares of HK\$0.1 each in the Company for cash at HK\$1.45 and HK\$1.65 per share, respectively, as a result of the exercise of warrants. The 12,400,000 warrants outstanding at 31 December 2010 were fully exercised during the year.

- (d) During the year, 4,698,000 ordinary shares were repurchased on the Stock Exchange for a consideration of HK\$12,546,000. Out of 4,698,000 ordinary shares repurchased 4,498,000 ordinary shares were cancelled on delivery of the share certificates during the year while the remaining of 200,000 ordinary shares have not yet been cancelled up to date of this report. The nominal value of HK\$450,000 of all the shares cancelled during the year was transferred from accumulated profits to capital redemption reserve. The premium paid on the repurchase of these shares cancelled in the amount of HK\$11,723,000 was charged to share premium. The aggregate consideration paid for these shares repurchased and cancelled in the amount of HK\$12,173,000 was deducted from shareholder's equity.

The 200,000 ordinary shares repurchased but not yet cancelled at the end of the reporting period are treated as treasury shares and the aggregate consideration paid for these shares in the amount of HK\$373,000 was deducted from shareholders' equity.

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
May 2011	1,100,000	3.87	3.35	4,076
June 2011	1,726,000	3.38	3.11	5,565
July 2011	140,000	2.97	2.87	406
September 2011	1,252,000	1.86	0.88	1,732
October 2011	200,000	1.50	0.94	244
November 2011	80,000	2.08	1.56	150
December 2011	200,000	1.93	1.80	373
	4,698,000			12,546

All the ordinary shares issued during the year rank pari passu in all respects with the then existing shares.

## (ii) Warrants

The Company issued 35,000,000 and 8,000,000 warrants at HK\$0.05 and HK\$0.03 each on 21 January 2010 and 15 July 2010, respectively, to the subscribers to subscribe new shares of the Company at a subscription price of HK\$1.45 and 1.65 each, respectively, (subject to anti-dilutive adjustment) for a period of twelve months commenced from the date of issue of the warrants. Each warrant carries the rights to subscribe one new share. A proceed of HK\$1,990,000 was received as of the issue and the same amount has been credited to warrant reserve during the year ended 31 December 2010. During the year ended 31 December 2010, 30,600,000 warrants were exercised.

During the year ended 31 December 2011, remaining 12,400,000 outstanding warrants were exercised by the subscribers (*note 14(i) (c)*) and no warrant remained outstanding at the end of the reporting period.

## 15. CAPITAL COMMITMENT

	2011 HK\$'000	2010 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	3,240	32,820

## 16. PLEDGE OF ASSETS

At the respective end of the reporting period, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Buildings	159,133	145,735
Plant and machinery	21,833	24,503
Pledged bank deposits	194,766	251,730
Prepaid lease payments	21,920	22,535
	<u>397,652</u>	<u>444,503</u>

## 17. SEGMENTAL INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision maker, Chief Executive Officer, for making strategic decisions. The Group engaged in manufacturing and trading of PCB business and LED lighting business and the information reported to the Chief Executive Officer was analysed based on three types of PCB and LED lighting which representing the operating segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Manufacturing and trading of Shingle – sided PCB (“Single-sided PCB”)
- Manufacturing and trading of Double – sided PCB (“Double-sided PCB”)
- Manufacturing and trading of Multi-layered PCB (“Multi-layered PCB”)
- Manufacturing and trading of LED lighting

No information of segment assets and liabilities is available for the assessment of performance of different operating segments. Therefore, only segment turnover and segment results are presented.

## Segment turnover and profits

The following is an analysis of the Group's turnover and results by reportable and operating segment.

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
TURNOVER– external sales		
Single-sided PCB	<b>242,888</b>	222,134
Double-sided PCB	<b>353,723</b>	340,948
Multi-layered PCB	<b>263,503</b>	319,631
LED lighting	<b>334,407</b>	114,399
	<hr/>	<hr/>
Total	<b>1,194,521</b>	997,112
	<hr/> <hr/>	<hr/> <hr/>
RESULT		
Segment profits		
– Single-sided PCB	<b>734</b>	6,056
– Double-sided PCB	<b>4,827</b>	15,375
– Multi-layered PCB	<b>9,676</b>	25,074
– LED lighting	<b>110,209</b>	38,649
	<hr/>	<hr/>
	<b>125,446</b>	85,154
Other income	<b>8,363</b>	7,983
Central administrative costs	<b>(9,586)</b>	(16,306)
Fair value changes on derivative financial instruments	<b>(384)</b>	1,862
Fair value changes on investment properties	<b>–</b>	700
Finance costs	<b>(11,418)</b>	(11,050)
	<hr/>	<hr/>
Profit before tax	<b>112,421</b>	68,343
	<hr/> <hr/>	<hr/> <hr/>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative cost (mainly including audit fee, exchange loss and depreciation of property, plant and equipment for administrative purpose), fair value changes on derivative financial instruments, fair value changes on investment properties and finance costs. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

## Other segment information

Amounts included in the measure of segment profit:

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Depreciation and amortisation		
– Single-Sided PCB	<b>16,432</b>	12,866
– Double-sided PCB	<b>23,778</b>	19,748
– Multi-layered PCB	<b>17,980</b>	18,513
– LED lighting	<b>8,799</b>	1,815
	<hr/>	<hr/>
	<b>66,989</b>	52,942
– unallocated	<b>2,927</b>	2,694
	<hr/>	<hr/>
	<b>69,916</b>	55,636
	<hr/> <hr/>	<hr/> <hr/>
Net impairment loss reversed in respect of trade receivables		
– Single-sided PCB	<b>123</b>	252
– Double-sided PCB	<b>179</b>	388
– Multi-layered PCB	<b>133</b>	364
	<hr/>	<hr/>
	<b>435</b>	1,004
	<hr/> <hr/>	<hr/> <hr/>



## Geographical information

The Group's operations are located in Hong Kong ("HK") and the PRC.

The Group's revenue from external customers based on the location of customers and information about its non-current assets excluding trade receivables and interest in an associate by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	For the year ended 31 December		As at 31 December	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Asia :				
HK	<b>230,010</b>	259,758	<b>6,379</b>	4,065
Taiwan	<b>150,893</b>	176,420	–	–
The PRC (excluding HK and Taiwan)	<b>659,990</b>	338,695	<b>514,281</b>	513,138
Japan	<b>49,188</b>	28,310	–	–
Other Asian countries	<b>41,725</b>	82,907	–	–
Europe:				
Hungary	<b>9,788</b>	28,309	–	–
Turkey	<b>13,253</b>	21,506	–	–
Other European countries	<b>26,568</b>	38,645	–	–
Others	<b>13,106</b>	22,562	–	–
	<b><u>1,194,521</u></b>	<u>997,112</u>	<b><u>520,660</u></b>	<u>517,203</u>

## Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows :

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Customer A ( <i>note i</i> )	<b>134,828</b>	128,684
Customer B ( <i>notes i and ii</i> )	<b><u>128,558</u></b>	<u>N/A</u>

*Notes:* (i) The revenue is mainly from Multi-layered PCB segment.

(ii) No disclosure of revenue from Customer B for the year ended 31 December 2010 because it contributed less than 10% of total sales for the year ended 31 December 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

#### *Bright Prospects for Lighting Industry*

LED lighting has been promoted internationally and locally given the launch of government policies in recent years. According to Photonics Industry & Technology Development Association (PIDA)'s estimation, the global production value of LED lighting in 2011 was approximately US\$3.119 billion, which accounted for less than 5% of market share. This market trend is also further spread by the ban of incandescent lamp internationally, announced by countries including Europe, Canada, Japan, Korea and China. The production and sales volume of incandescent lamp in China in 2010 are 3.85 billion and 1.07 billion respectively, reached the top of the world. As China announced last year that import and sales of incandescent lamp over 100 watts will be forbidden from 1 October 2012, there will be huge potential for the growth of LED lights' market share.

According to The Ministry of Science and Technology, the previously announced "10 Cities 10,000 LED Lights" policy has achieved a great step forward. In 2011, there are over 2,000 LED lighting projects in 37 cities with application of over 4.2 million LED lamps. Total production value reached RMB 140 billion. Meanwhile, the subsidy for energy saving LED lights will soon be announced by National Development and Reform Commission (NDRC) and the Ministry of Finance. With continuous support of governmental policy and the advancement of PRC's urbanization, the market opportunities to the lighting industry become significant.

#### *Continuous Inspiring Results*

The Group's operating results during the Year achieved remarkable growth. Our total revenue increased to HK\$1,195 million by 19.80%, comparing to the same period last year; while the gross profit increased by 40.50% to HK\$218 million. Profit attributable to the owners of the Company increased accordingly to HK\$51,014,000 by 20.02%; basic earnings per share for the Year was HK\$0.12. The Board has resolved to recommend a final dividend of HK 2.0 cents per share, amounting to approximately HK\$8,850,000.

#### *Market Penetration*

LED lighting business continues to be our growth driver during the Year. The Group has been continuously securing numerous LED road lamp installation contracts with the local governments in various provinces in China, including Chengdu, Chongqing, Yangzhou, Lianyungang and Tianjin, etc.; varying from road lamp installation to one stop solution (module, lamp shell, electricity etc.). Apart from government projects, we also tapped into the commercial LED lighting business to install LED lamps in commercial buildings, apartments, hotel; coverage includes Chengdu and Guangxi, etc. Apart from the projects in China, we also look for the overseas opportunities through negotiating with the overseas client such as the Mexican government for the road lamp project.

The PCB business faced difficult time due to shrinks of export markets and the high operational costs. The sales network of the PCB business covers China, U.S., Europe, Korea, Hong Kong, Singapore and Japan. We had negotiated with potential buyer in September 2011 to sell one of our PCB factories but there is no further progress at the moment. Therefore, we will still continue to operate this business while at the same time develop our high value added LED lighting business. Diversifying the product mix will continue to be our main business goal.

## ***Research and Development, Innovation and Lean Production***

The Group pays great attention to research and development of green lighting technology. With a leading research and development team that consists of professional LED lighting expertise, we obtained more than 20 intellectual properties in the LED lighting field, including the patented Aluminum Nitrid Ceramic. More importantly, our innovations in light decay and cooling aspects have achieved patents.

The Group also closely cooperates with world-famous colleges and universities. In 2011, the Group supported Hong Kong Polytechnic University's research and development with the donation of HK\$500,000 to the "Advanced Optical Manufacturing Center" and "Printed Circuit Board Technology Center". A great breakthrough in the project "Development of High Destiny Interconnect Ablation and Imaging Technologies in PCB Manufacture" ("HDI Technology") was achieved with the close partnership between the teams from two parties. The HDI Technology achieved significant progress on over 10 research and development projects regarding PCB and electronics substrate. The project provides technical support to us for high value-added PCB and substrate fabrication, which increases competitive edge and promotes awareness on innovation development within the PCB business. We will continuously support the research and development on PCB technology and the optical manufacturing aspects.

With the strong technical support, our lean production is guaranteed. We awarded the Productivity and Quality Certificate by the Hong Kong Awards, for Industries for the outstanding achievements in advanced technology and growth; the TS16949 Quality System Certificate, jointly set by International Automotive Task Force (IATF) and Japan Automobile Manufacturers Association (JAMA), in respect of continuous improvement, defect and inaccuracy prevention, as well as waste reduction; and the ISO 9001 Quality System Certificate, for an overall quality system that implements actions with qualified resources through an organization.

## ***Recognitions and Marketing Strategy***

The recognition as one of the 19 contractors for the LED road lamp lighting projects in China, jointly selected by NDRC, Ministry of Housing and Urban-Rural Development and Ministry of Transport, signifies the quality of our LED lamps. Also, the Group's LED products obtained the "Product Certificate" and "China Certificate for Energy Conservation Products" from the China Quality Certification Centre in December 2011. Such certificates facilitate the opportunities for both the government and commercial tendered projects.

In respect of energy-saving, our LED products are included in the recommended product catalogue for green lighting cities in Guangdong Province. In additional, according to the announcement by NDRC and Ministry of Finance of PRC (No.19, 2011), TC-Orient Energy Management (Shenzhen) Corporation was listed on the "Energy-saving Services Corporations List (third batch)".

The Group ranked the second of 2011 China's competitive LED road lamps companies by GLII, an industrial institutional organisation formed by LED lighting expertise. We are proud of these public recognitions and we are committed to further secure such qualification of our products, and ultimately enlarge our market share through these competitive advantages.

In October 2011, the Group proposed to change its name from "TC Interconnect Holdings Limited" to "TC Orient Lighting Holdings Limited". The Group considers that the change of company name can more accurately reflect the principal activities and also refresh the Company's corporate image and identity. The proposal has been approved by shareholders after the extraordinary general meeting held in December 2011 and becomes effective on 21 March 2012.

## Business review

The Group is principally engaged in manufacturing and trading of board range of LED lighting and PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs up to 12 layers, the breakdown by turnover is summarized as follows:

	Year 2011		Year 2010		Increase/ (Decrease)	Change in
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
LED Lighting	<b>334,407</b>	<b>28.0</b>	114,399	11.5	220,008	192.3
Single-sided PCB	<b>242,888</b>	<b>20.3</b>	222,134	22.3	20,754	9.3
Double-sided PCB	<b>353,723</b>	<b>29.6</b>	340,948	34.2	12,775	3.7
Multi-layered PCB	<b>263,503</b>	<b>22.1</b>	319,631	32.0	(56,128)	(17.6)
Total	<b><u>1,194,521</u></b>	<b><u>100</u></b>	<b><u>997,112</u></b>	<b><u>100</u></b>	<b><u>197,409</u></b>	<b><u>19.8</u></b>

The products in the three categories are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the year, application wise, consumer electronics remained to contribute the highest turnover that accounted for approximately 54% of the Group's turnover. High end multi-layered PCBs became the core product of the Group, accounted for 22.3% of turnover.

The Group's turnover by geographical regions are summarized as follows:

	Year 2011		Year 2010		Increase/ (Decrease)	Change in
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong	<b>230,010</b>	<b>19.3</b>	259,758	26.1	(29,748)	(11.5)
The PRC	<b>659,990</b>	<b>55.3</b>	338,695	33.9	321,295	94.9
Asia (Excluding Hong Kong and the PRC)	<b>241,806</b>	<b>20.2</b>	287,637	28.8	(45,831)	(15.9)
Europe	<b>49,609</b>	<b>4.1</b>	88,460	8.9	(38,851)	(43.9)
Others	<b>13,106</b>	<b>1.1</b>	22,562	2.3	(9,456)	(41.9)
Total	<b><u>1,194,521</u></b>	<b><u>100</u></b>	<b><u>997,112</u></b>	<b><u>100</u></b>	<b><u>197,409</u></b>	<b><u>19.8</u></b>

The Group has two PCB manufacturing plants both located at Zhongshan, Guangdong of the PRC and one LED manufacturing plant located at Shenzhen, Guangdong of the PRC.

<b>Production plant</b>	<b>Location</b>	<b>Area</b>	<b>Products</b>	<b>Production capacity</b>	<b>Commencement of operations</b>
LED Lighting	Shenzhen, Guangdong the PRC	3,000 sq m.	LED Lighting	15,000 LED lamps per month	July 2010
Plant 1	Zhongshan, Guangdong the PRC	58,000 sq. m.	1 – 8 layered PCBs	2,750,000 sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong the PRC	52,000 sq. m.	4 – 12 layered PCBs	400,000 sq. ft. per month (phase 1)	October 2007 (phase 1)

## **FINANCIAL REVIEW**

For the year ended 31 December 2011, the Group's turnover amounted to approximately HK\$1,194.5 million, representing an increase of 19.8% as compared to approximately HK\$997.1 million for the year ended 31 December 2010. The turnover of PCB has decreased by 2.6% during the year of 2011. Profit attributable to shareholders was approximately HK\$51.0 million (2009: HK\$42.5 million).

The gross margin for the year of 2011 was 18.3% (2010: 15.6%). The gross margins for LED and PCBs were 39.3% and 10.1%, respectively. The average utilization rate of single-sided PCBs, double-sided PCBs and multi-layered PCBs were 81%, 65% and 74%, respectively, during the year of 2011.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 31 December 2011, the Group had total assets of approximately HK\$1,863.0 million (31 December 2010: HK\$1,494.0 million) and interest-bearing borrowings of approximately HK\$399.3 million (31 December 2010: HK\$460.5 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 21.4% (31 December 2010: 30.8%).

The Group had net current assets of approximately HK\$286.9 million (31 December 2010: net current assets of HK\$68.5 million) consisted of current assets of approximately HK\$1,152.3 million (31 December 2010: HK\$905.9 million) and current liabilities of approximately HK\$865.4 million (31 December 2010: HK\$837.4 million), representing a current ratio of approximately 1.33 (31 December 2010: 1.08).

As at 31 December 2011, the Group had cash and bank balances (including pledged bank deposits) of approximately HK\$389.0 million (31 December 2010: HK\$400.0 million).

## **FOREIGN CURRENCY EXPOSURE**

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Euro and Japanese Yen, are required to settle the Group's expenses and additions on plant and equipment. There are also sales transactions denominated in United States Dollars and RMB. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

## **HUMAN RESOURCES**

As at 31 December 2011, the Group employed a total of approximately 2,370 employees (31 December 2010: 3,704), including approximately 2,221 employees in its Zhongshan production Site, 133 employees in its PRC LED business units and approximately 16 employees in its Hong Kong office.

The Group's remuneration policy is reviewed regularly, with reference to the legal framework, market conditions and the performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are also reviewed by the remuneration committee. The Group may also grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. The Group also holds regular training programmes and also encourages staffs to attend training courses and seminars that are related directly and indirectly to the Group's business.

## **OUTLOOK**

Looking ahead, the LED industry will continue to boom in the year 2012 given rapid urbanization in China and the favourable policies announced by the Chinese government. While we expect the market share of LED lights will be further expanded after the implementation of the ban of incandescent lamp, the LED light industry is experiencing organic growth under the promotion of "Twelve Five-year Plan" and "10 Cities 10,000 Lamps" policies. According to the Ministry of Science and Technology, it is expected that the penetration rate of LED lighting will reach over 25% in 2015, with total production value of RMB 500 billion in the industry. While the government has announced the subsidy of 30% on LED lamp projects, we strongly believe that there will be plenty of room for LED street lamp and interior lamp markets to grow at a rapid pace.

The expected growth of the LED road lamp business is also statistically supported by GLII. According to the GLII's report, the installation of LED road lamps in 2011 amounted to 530,000, which increased by 51% while comparing to the same period in 2010; and the forecast for 2012 is amounting to 850,000. With the encouraging statistics given, securing optimal LED road lamp installation contracts with the various provincial governments in China will be the Group's major focus.

In order to maintain the competitiveness and enlarging the market share in the LED lighting market, the Group will keep diversifying product mix to work on the commercial LED lighting projects in addition to government projects. Such commercial projects include interior lighting projects, landscape lighting projects and lamp renovations etc. Given the recognition from NDRC and provincial governments, we believe that we can further secure more projects in the coming years by leveraging on our high quality LED products through our proven technology and research capability.

The Group aims to co-operate with a strong strategical partner in PCB business and this sector remains our main business apart from LED business. Looking ahead, we will maximize our development efforts in both LED and PCB businesses and strive for the highest return in the coming years.

## **OTHER INFORMATION**

### **Dividends**

The Board has resolved to recommend the payment of a final dividend of HK2.0 cents per share, amounting to approximately HK\$8.85 million (31 December 2010: HK 2.5 cent per share). Subject to Shareholders' approval at the AGM, the final dividends will be payable to the Shareholders on or around 15 June 2012 whose names appear on the register of members of the Company on 8 June 2012.

### **Closure of Register of Members**

For determining the identity of Shareholders who are entitled to attend and vote at forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 29 May 2012 to Thursday, 31 May, 2012 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrars, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 28 May 2012.

The proposed final dividend is subject to the approval of Shareholders at the forthcoming annual general meeting. For determining the identity of Shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 6 June 2012 to Friday, 8 June 2012 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrars, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queens Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 5 June 2012.

## Share option scheme

Details of the share options held by the directors or a former director of the Company are as follows :

Grantee	Date of grant	Exercise price per share HK\$	Outstanding	Outstanding	Exercised during the year	Forfeited during the year	at 31 December 2011	Exercisable period
			at 1 January 2011	Granted during the year				
Mr. Yeung Hoi Shan	29 September 2009	1.07	2,400,000	–	–	–	2,400,000	(Note 2)
	2 September 2011	2.11	–	2,300,000	–	–	2,300,000	(Note 4)
Mr. Pak Shek Kuen	3 July 2007	1.52	480,000	–	(480,000)	–	–	(Note 1)
	29 September 2009	1.07	1,700,000	–	(900,000)	–	800,000	(Note 2)
	29 September 2010	2.62	1,000,000	–	–	–	1,000,000	(Note 3)
	2 September 2011	2.11	–	2,300,000	–	–	2,300,000	(Note 4)
Mr. Cheung Kwok Ping	29 September 2009	1.07	140,000	–	–	(140,000)	–	(Note 2)
	14 July 2010	1.50	200,000	–	–	(200,000)	–	(Note 3)
Mr. Wong Siu Fai, Albert	3 July 2007	1.52	200,000	–	(200,000)	–	–	(Note 1)
	29 September 2009	1.07	140,000	–	–	–	140,000	(Note 2)
	14 July 2010	1.50	200,000	–	–	–	200,000	(Note 3)
	2 September 2011	2.11	–	200,000	–	–	200,000	(Note 4)
Mr. Cheung Sui Wing Darius	29 September 2009	1.07	140,000	–	(60,000)	–	80,000	(Note 2)
	14 July 2010	1.50	200,000	–	(60,000)	–	140,000	(Note 3)
	2 September 2011	2.11	–	200,000	–	–	200,000	(Note 4)
Ms. Ho Man Kay (Note 5)	3 July 2007	1.52	200,000	–	(200,000)	–	–	(Note 1)
	29 September 2009	1.07	140,000	–	(60,000)	–	80,000	(Note 2)
	14 July 2010	1.50	200,000	–	(60,000)	–	140,000	(Note 3)
	2 September 2011	2.11	–	200,000	–	–	200,000	(Note 4)
Mr. Yeung Tai Hoi	29 September 2009	1.07	80,000	–	–	–	80,000	(Note 2)
	2 September 2011	2.11	–	4,000,000	–	–	4,000,000	(Note 4)
Madam Li Jinxia	29 September 2009	1.07	700,000	–	–	–	700,000	(Note 2)
	2 September 2011	2.11	–	4,000,000	–	–	4,000,000	(Note 4)
Mr. Zhu Jianqin	29 September 2009	1.07	1,500,000	–	(900,000)	–	600,000	(Note 2)
	2 September 2011	2.11	–	2,300,000	–	–	2,300,000	(Note 4)
			<u>9,620,000</u>	<u>15,500,000</u>	<u>(2,920,000)</u>	<u>(340,000)</u>	<u>21,860,000</u>	



*Note 1:* Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant; and (iii) all the remaining options are exercisable three years after the date of grant. The options will be expired in the 5th year after the date of grant.

*Note 2:* Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

*Note 3:* Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 10th year after the date of grant.

*Note 4:* Options are exercisable subject to (i) up to 25% of the options are exercisable on or after 2 March 2012; (ii) up to 50 % of the options are exercisable on or after 2 March 2013 ; (iii) up to 75% of the options are exercisable on or after 2 March 2014; and (iv) all the remaining options are exercisable on or after 2 March 2015. The options will be expired in the 10th year after the date of grant.

*Note 5:* Ms. Ho Man Kay resigned as independent non-executive director on 22 February 2012.

### **Purchase, sales or redemption of the Company's listed securities**

Other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures, of the Company or any other body corporate.

### **Compliance with the Code of Corporate Governance Practices**

The Company is committed to adopting the standards of corporate governance. The board of directors (the "Board") of the Company believes that good governance is essential to achieving the Group's objectives of maximizing shareholders' value and safeguarding the interests of the shareholders.

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Code of Corporate Governance practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2011, except the deviation disclosed in the following paragraph:

- With respect to Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and not be performed by the same individual. Mr. Wong Wing Choi, an executive director and CEO of the Company has resigned on 23 January 2009. Since then, the Company had tried to look for appropriate person to succeed and up to the date of this report, the process is still in progress.
- Following the resignation of Ms. Ho Mar Kay, the number of the independent non-executive directors and the audit committee members of the company will fall below the minimum number required under Rules 3.10(1) and 3.21 of the rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has identified suitable candidate and filled in the vacancy on 23 March 2012.

## **Compliance with the Model Code for Securities Transactions by directors of listed issuers (the “Model Code”)**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

### **Audit committee**

The Audit Committee comprises the two independent non-executive directors, one of whom possesses recognized professional qualifications in accounting and has wide experience in audit and accounting.

Mr. Cheung Sui Wing, Darius is the chairman of the Audit Committee. The Company’s annual results for the year ended 31 December 2011 has been reviewed by the Audit Committee.

On behalf of the Board  
**Yeung Hoi Shan**  
*Chairman*

Hong Kong, 29 March 2012

*As at the date hereof, the executive Directors are Mr. Yeung Hoi Shan, Mr. Pak Shek Kuen and Mr. Zhu Jianqin, the non-executive Directors are Madam Li Jinxia and Mr. Yeung Tai Hoi, and the independent non-executive Directors are Mr. Cheung Sui Wing, Darius and Mr. Wong Siu Fai, Albert.*