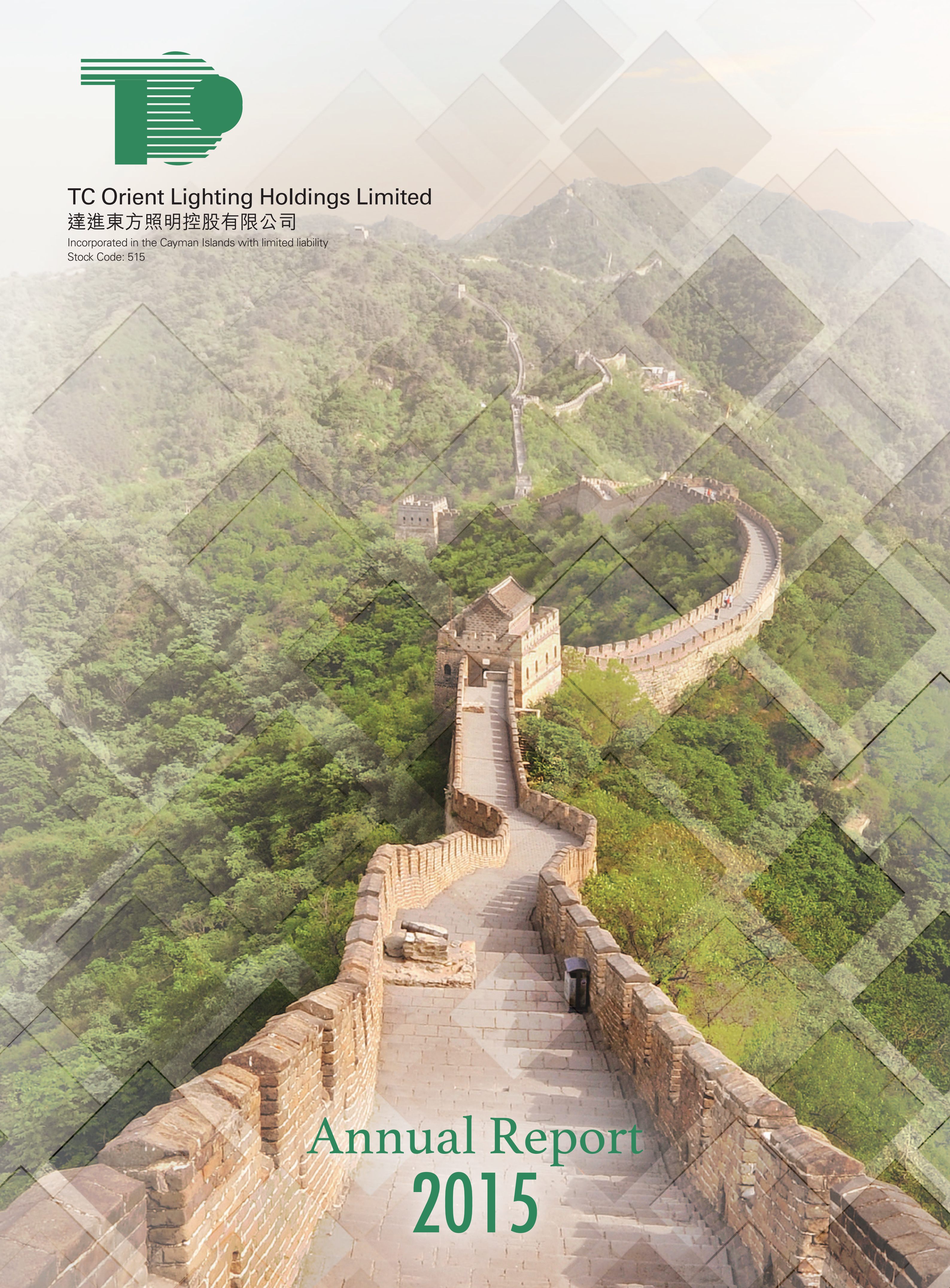
TC Orient Lighting Holdings Limited

達進東方照明控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code: 515



Annual Report 2015

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chen Yongsen (appointed on 12 August 2015), Chairman (appointed on 16 November 2015)
Mr. Wang Shi Jin (appointed on 29 January 2015), Deputy Chairman (from 5 June 2015 to 16 November 2015) and Chief Executive Officer (appointed on 16 November 2015)
Mr. Zhu Jianqin
Mr. Chen Zheng Xue (appointed as independent non-executive director on 16 October 2014 and re-designated as executive director on 29 January 2015)
Ms. Shi Qiu Yu (appointed as non-executive director on 16 October 2014 and re-designated as executive director on 29 January 2015)
Mr. Chen Hua (appointed on 29 February 2016)
Mr. Wong Wing Choi (appointed on 29 February 2016)
Mr. Chen Jing, Chairman (resigned on 5 June 2015)
Mr. Li Jianchao, Chief Executive Officer, (resigned on 5 June 2015)
Mr. Zeng Xiang Di (appointed on 29 January 2015 and resigned on 16 November 2015), Deputy Chief Executive Officer (from 5 June 2015 to 16 November 2015)
Mr. Charles Liu Kam Man (appointed on 1 June 2015 and resigned on 8 October 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong (appointed on 1 June 2015)
Mr. Poon Chi-Choy, Sonny (appointed on 1 June 2015)
Mr. Zhang Xiaofei (appointed on 16 November 2015)
Mr. Ye Ji Li (appointed on 29 February 2016)
Dr. Tsang Cheung Fat (appointed on 1 June 2015 and resigned on 16 November 2015)
Ms. Han Pang (appointed on 1 June 2015 and resigned on 8 October 2015)
Mr. Leung Wah (resigned on 5 June 2015)
Ms. Lai Sze Ngot (resigned on 5 June 2015)
Mr. Lo Chi Ko (appointed on 29 January 2015 and resigned on 5 June 2015)
Mr. Luk Chi Keung (appointed on 2 February 2015 and resigned on 5 June 2015)

AUDIT COMMITTEE

Mr. Anson Poon Wai Kong (appointed on 5 June 2015)
Mr. Poon Chi-Choy, Sonny (appointed on 5 June 2015)
Mr. Zhang Xiaofei (appointed on 16 November 2015)
Mr. Ye Ji Li (appointed on 11 April 2016)
Dr. Tsang Cheung Fat (appointed on 5 June 2015 and resigned on 16 November 2015)
Ms. Han Peng (appointed on 5 June 2015 and resigned on 8 October 2015)
Mr. Chen Zheng Xue (appointed on 16 October 2014 and ceased to be committee member on 29 January 2015)
Mr. Leung Wah (resigned on 5 June 2015)
Ms. Lai Sze Ngot (resigned on 5 June 2015)
Mr. Lo Chi Ko (appointed on 29 January 2015 and resigned on 5 June 2015)
Mr. Luk Chi Keung (appointed on 2 February 2015 and resigned on 5 June 2015)

REMUNERATION COMMITTEE

Mr. Anson Poon Wai Kong (appointed on 5 June 2015)
Mr. Poon Chi-Choy, Sonny (appointed on 5 June 2015)
Mr. Zhang Xiaofei (appointed on 16 November 2015)
Mr. Ye Ji Li (appointed on 11 April 2016)
Dr. Tsang Cheung Fat (appointed on 5 June 2015 and resigned on 16 November 2015)
Ms. Han Peng (appointed on 5 June 2015 and resigned on 8 October 2015)
Mr. Chen Zheng Xue (appointed on 16 October 2014 and ceased to be committee member on 29 January 2015)
Mr. Leung Wah (resigned on 5 June 2015)
Ms. Lai Sze Ngot (resigned on 5 June 2015)
Mr. Lo Chi Ko (appointed on 29 January 2015 and resigned on 5 June 2015)
Mr. Luk Chi Keung (appointed on 2 February 2015 and resigned on 5 June 2015)

CORPORATE INFORMATION

NOMINATION COMMITTEE

Mr. Chen Yongsen (appointed on 29 February 2016)
Mr. Anson Poon Wai Kong (appointed on 5 June 2015)
Mr. Poon Chi-Choy, Sonny (appointed on 5 June 2015)
Mr. Zhang Xiaofei (appointed on 16 November 2015)
Mr. Ye Ji Li (appointed on 11 April 2016)
Mr. Wang Shi Jin (appointed on 16 November 2015 and ceased to be a committee member on 29 February 2016)
Dr. Tsang Cheung Fat (appointed on 5 June 2015 and resigned on 16 November 2015)
Ms. Han Peng (appointed on 5 June 2015 and resigned on 8 October 2015)
Mr. Chen Zheng Xue (appointed on 16 October 2014 and ceased to be committee member on 29 January 2015)
Mr. Leung Wah (resigned on 5 June 2015)
Ms. Lai Sze Ngot (resigned on 5 June 2015)
Mr. Lo Chi Ko (appointed on 29 January 2015 and resigned on 5 June 2015)
Mr. Luk Chi Keung (appointed on 2 February 2015 and resigned on 5 June 2015)

COMPLIANCE COMMITTEE

Mr. Wang Shi Jin (appointed on 6 November 2015)
Mr. Anson Poon Wai Kong (appointed on 6 November 2015)
Mr. Poon Chi-Choy Sonny (appointed on 6 November 2015)
Mr. Zhang Xiaofei (appointed on 16 November 2015)
Mr. Ye Ji Li (appointed on 11 April 2016)
Dr. Tsang Cheung Fat (appointed on 6 November 2015 and resigned on 16 November 2015)

COMPANY SECRETARY

Ms. Chan Yim Kum (resigned on 5 June 2015)
Mr. Chan Chun Kau (appointed on 5 June 2015)

AUTHORISED REPRESENTATIVES

Ms. Chan Yim Kum (resigned on 5 June 2015)
Mr. Chan Chun Kau (appointed on 5 June 2015)
Mr. Chen Yongsen (appointed on 17 November 2015)
Mr. Wang Shi Jin (appointed on 5 June 2015 and ceased to be an authorised representative on 17 November 2015)

HEAD OFFICE

Before 29 February 2016:
Room 3, 15/F, Atiken Vanson Centre
61 Hoi Yuen Road
Kwun Tong, Kowloon

After 29 February 2016:
Unit 1001E, East Ocean Centre
98 Granville Road
Tsim Sha Tsui, Kowloon

REGISTERED OFFICE

Cricket Square
Hutchins Drive P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITOR

HLB Hodgson Impey Cheng Limited

PRINCIPAL BANKERS

China Construction Bank Corporation, Zhongshan Branch, Guangdong, the PRC
Agricultural Bank of China, Zhongshan Branch, Guangdong, the PRC
Hang Seng Bank Limited
China Trust Commercial Bank, Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

00515

WEB-SITE

www.tatchun.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of TC Orient Lighting Holdings Limited (the "**Company**"), and together with its subsidiaries collectively referred to as the "**Group**"), I am pleased to present the Group's result for the year ended 31 December 2015 (the "**Year**").

OVERVIEW

During the Year, the Group's LED business focused on credit management and control and inspection, acceptance and transfer of projects under development, in order to optimize the trade receivables of the Group's LED business. As such, the Group's business were mainly concentrated on local governments with which the Group have established business relationship such as those in Zhongshan and Shenzhen in Guangdong Province, and Linzhou and Xinzheng in Henan Province. In addition, due to the change in the controlling shareholder of the Group, business expansion slowed down during the Year, while other business efforts were focused on further speeding project inspection and acceptance and collection of trade receivables.

Based on the reports of the PRC government, energy saving and emission reduction continues to play a very important role. The renovation of LED road lamps has become a normal practice. In view of the Group's established brand, reputation, qualifications and track record, we will optimize product pricing through further technical innovations while establishing our distribution system and e-commerce channels to expand direct product sales.

In order to make full use of the Group's strengths in the LED market for its established brand, reputation, qualifications and track record, the Group will attempt to implement a business partner system in three areas, namely, "consolidating organizational structure, consolidating product platform and consolidating market resources", which is designed to enable the Group to obtain more market resources, to realize diversified development and to expand into LED markets other than road lamps.

On behalf of the Board, I would like to express our sincere gratitude to our shareholders, business partners, customers, the management team and our staff for their great support to the Group over the years.

Sincerely yours,

Chen Yongsen
Chairman

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of the Company recognizes the importance of corporate governance practice of a listed company and is committed to adopting the standards of corporate governance. It is in the interest of the stakeholders and shareholders for a listed company to operate in a transparent manner with the adoptions of various self-regulatory policies, procedures and monitoring mechanisms with a clear definition of accountability of directors and management.

The Company and the Directors confirm, to the best of their knowledge, that the Company complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as stated in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the Year, except the deviations disclosed in the following paragraph:

(i) With respect to Code Provision A.1.5, minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. We note that the minutes of some of the board meetings in the Year failed to record in sufficient detail the matters considered, the reasons for making the decisions and any dissenting views. Upon the revelation of such deviations, the Board spoke with the relevant directors who attended the relevant meetings and recorded the matters, reasoning and dissenting views discussed at those meetings by way of supplemental attendance notes or memoranda. The Board has also set up policies to ensure that all future minutes shall record in sufficient detail the matters considered and decisions reached. After the adoption of such remedial measures, the Company regards that it has now complied with Code Provision A.1.5.

(ii) 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. Upon the resignation of Mr. Li Jianchao on 5 June 2015, Mr. Zeng Xiang Di was appointed Deputy CEO of the Company. Upon the resignation of Mr. Zeng on 16 November 2015, Mr. Wang Shi Jin was appointed the CEO of the Company. Currently, the Company regards that it has complied with Code Provision A.2.1.

(iii) With respect to Code Provision A.2.5, the chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established. With respect to Code Provision A.2.6, the chairman should encourage (a) all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issue; and (b) directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus. We note that the Company has not maintained written records of its internal control and corporate governance practices for the Year. As disclosed in the Company's announcements dated 31 August 2015, 6 November 2015 and 6 January 2016, the Company engaged RSM Nelson Wheeler Consulting Limited ("**RSM**") as our internal control consultant to draw up the Group's internal control and corporate governance policies. After the adoption of a new set of internal control procedures (the "**New IC Procedures**") on 5 November 2015, the Company regards that it has now complied with Code Provisions A.2.5 and A.2.6.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

(iv) With respect to Code Provision A.2.7, the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. We cannot identify any records of such meetings being held during the Year. Upon the revelation of such deviations, the Company has adopted the New IC Procedures which include policies about regular meetings in compliance with Code Provision A.2.7. After the adoption of the New IC Procedures, the Company regards that it has now complied with Code Provision A.2.7.

(v) With respect to Code Provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. When Ms. Shi Qiu Yu was appointed as a non-executive Director on 16 October 2014, she has not been appointed for any fixed term but was subject to retirement by rotation and re-election at the annual general meeting (the "**AGM**") of the Company in accordance with the articles of association of the Company (the "**Articles**"). Upon the revelation of such deviations, the Company has set up policies to ensure that all directors should be appointed for specific term in future. After the adoption of the new policies, the Company regards that it has now complied with Code Provision A.4.1.

(vi) With respect to Code Provision A.6.1, every newly-appointed Director of the Company should receive a comprehensive, formal and tailored induction on appointment and should subsequently receive briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statue and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies. With respect to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skill, and Directors should provide a record of the training they received to the issuer. We note that certain Directors might not have received formal induction and training and/or might not have maintained written records of their training as required under the CG Code during the Year. On 16 November 2015, the Company has arranged for directors' training on common law directors' duties, the Listing Rules, Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") and the Securities and Futures Ordinance (the "**SFO**"). In addition, the Company has set up policies to ensure that regular training will be provided to directors in future. After the adoption of the remedial measures, the Company regards that it has complied with Code Provisions A.6.1 and A.6.5.

(vii) With respect to Code Provision C.1.2, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. We note that certain Directors might not have been provided with the management accounts on a monthly basis during the Year. Upon the revelation of such deviations, the Company has put in place policies to circulate monthly management accounts to all its Directors. After the adoption of such remedial measures, the Company regards that it has complied with Code Provision C.1.2.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

(viii) With respect to Code Provisions C.2.1 and C.2.2, (a) the Board should conduct a review of the effectiveness of the risk management and internal control systems of the issuer and its subsidiaries at least annually; (b) the review should cover all material controls, including financial, operational and compliance controls and risk management functions; and (c) such annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function. As stated in the Company's announcements dated 31 August 2015, 6 November 2015 and 6 January 2016, the Company engaged RSM as our internal control adviser to conduct a thorough review of our internal control systems and make recommendations to the Company for this purpose. RSM has made recommendations to the Company and the Board has, on 5 November 2015, adopted the New IC Procedures which not only cover the usage of chops and grant of guarantees and indemnities but also policies regarding: (a) investment decisions; (b) handover of work on change of key personnel; (c) risk assessment and control; (d) external communication; (e) financial reporting, budgeting and closing, bank reconciliation, accounting system and records; (f) cash management and loans approval; (g) sales contract management, sales order approval and credit control; (h) purchase contract management and procurement; (i) record registration, management, depreciation and disposal of fixed assets; (j) stock take, reconciliation and record registration of inventory; (k) management and filing of contract authorization and execution; (l) human resources and payroll; (m) production, materials monitoring and quality; and (n) information technology controls. In the first week of December 2015, the New IC Procedures have been circulated to all relevant staff members of the Group. The heads of the departments of each and every key operating subsidiary of the Company in China were delegated the responsibility to provide introductory training to his staff members on the New IC Procedures. After the adoption of the New IC Procedures, the Company regards that it has complied with Code Provisions C.2.1 and C.2.2.

(ix) With respect to Code Provision C.2.5, the issuer should have an internal audit function and issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. The Company did not have an internal audit function during the Year. We are not aware of any review of the need for internal audit function being carried out during the Year. Upon the recommendation of RSM, on 1 April 2016, the Company engaged a full-time internal auditor.

(x) With respect to Code Provision D.1.4, Directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. We note that the Company had not signed any formal letter of appointment with Ms. Shi Qiu Yu when she joined the Company as a non-executive Director between 16 October 2014 and 29 January 2015. However, upon her redesignation as an executive Director on 29 January 2015, the Company entered into a service contract with Ms. Shi Qiu Yu.

(xi) With respect to Code Provision D.3.1, the terms of reference of the Board or the committee performing the corporate governance functions should cover aspects on the development, monitoring and review of (i) the Company's corporate governance policies and practices; (ii) training and continuous professional development of directors and senior management, (iii) policies and practices relating to compliance of law and regulations and the CG Code; and (iv) code of conduct and compliance manual applicable to employees and directors. We are not aware of any terms of reference of the Board regarding the Company's corporate governance functions during the Year. Upon the recommendation of RSM, the Company established a compliance committee on 5 November 2015 to oversee the Company's corporate governance and compliance functions. On 1 April 2016, the Company engaged a full-time compliance officer. After the establishment of the compliance committee, the Company regards that it has complied with Code Provision D.3.1.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

(xii) With respect to Code Provision E.1.4, the board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. We note that the Company might not have a formal written shareholders' communication policy during the Year. Upon the revelation of such deviations, the Company adopted the New IC Procedures on 5 November 2015 which contains written shareholders' communication policy. After the adoption of the New IC Procedures, the Company regards that it has complied with Code Provision E.1.4.

The Board and the compliance committee shall continue to monitor and review the Company's corporate governance practices to ensure compliance of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct for Directors in their dealings in the Company's securities. Because of the delay in publication of this Annual Report and the frequent changes in directorship whether during the year ended 31 December 2015 and for the subsequent period up to the date of publication of this Annual Report, the Company is no longer in the position to obtain confirmations from all resigned directors as to their compliance of the Model Code. Having made specific enquiry with each of the existing directors and Dr. Tsang Cheung Fat, Mr. Zeng Xiang Di, Mr. Leung Wah, Ms. Lai Sze Ngot, Mr. Luk Chi Keung, Mr. Lo Chi Ko and Mr. Charles Liu Kam Man, each of them confirmed that he/she has complied with the Model Code during the year ended 31 December 2015.

DIRECTORS

THE BOARD

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets strategies for the Company and monitors the performance of the management.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises eleven members, consisting of seven executive Directors and four independent non-executive Directors. Further details of the composition of the Board are set out on page 2.

Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" on pages 28 to 31 of the Annual Report.

The Board has established a policy setting out the approach to achieve diversity on the Board (the "**Board Diversity Policy**") with the aims of enhancing Board effectiveness and corporate governance as well as achieving our business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The current Board consists of a diverse mix of Board members appropriate to the requirement of the business of the Company, and depending on the growing business needs and availability of the human resources market, suitable qualified individuals will be considered.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

THE BOARD *(Continued)*

In addition, the Board has met Rule 3.10 of the Listing Rules, that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors bring independent judgment, knowledge and experience to the Board.

Because of the delay in publication of this Annual Report and the frequent changes in directorship whether during the Year and for the subsequent period up to the date of publication of this Annual Report, the Company is no longer in the position to obtain confirmations from all resigned independent non-executive Directors as to their independence pursuant to Rule 3.13 of the Listing Rules. Having made specific enquiry with Mr. Chen Zheng Xue, Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, Mr. Zhang Xiaofei, Mr. Ye Ji Li, Dr. Tsang Cheung Fat, Mr. Leung Wah, Mr. Lo Chi Ko and Ms. Lai Sze Ngot, each of them confirm that he/she is independent within the definition of Rule 3.13 of the Listing Rules.

The Company has held 17 board meetings during the Year and the attendance records are set out below:

Name of directors	Number of attendance
EXECUTIVE DIRECTORS	
Mr. Chen Yongsen (appointed on 12 August 2015), Chairman (appointed on 16 November 2015)	7/9
Mr. Wang Shi Jin (appointed on 29 January 2015), Deputy Chairman (from 5 June 2015 to 16 November 2015) and Chief Executive Officer (appointed on 16 November 2015)	14/17
Mr. Zhu Jianqin	13/17
Mr. Chen Zheng Xue (appointed as independent non-executive director on 16 October 2014 and re-designated as executive director on 29 January 2015)	15/17
Ms. Shi Qiu Yu (appointed as non-executive director on 16 October 2014 and re-designated as executive director on 29 January 2015)	15/17
Mr. Chen Hua (appointed on 29 February 2016)	N/A
Mr. Wong Wing Choi (appointed on 29 February 2016)	N/A
Mr. Chen Jing, Chairman (resigned on 5 June 2015)	2/4
Mr. Li Jianchao, Chief Executive Officer (resigned on 5 June 2015)	3/4
Mr. Zeng Xiang Di (appointed on 29 January 2015 and resigned on 16 November 2015), Deputy Chief Executive Officer (from 5 June 2015 to 16 November 2015)	10/15
Mr. Charles Liu Kam Man (appointed on 1 June 2015 and resigned on 8 October 2015)	5/8

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

THE BOARD *(Continued)*

Name of directors	Number of attendance
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Anson Poon Wai Kong (appointed on 1 June 2015)	10/13
Mr. Poon Chi-Choy, Sonny (appointed on 1 June 2015)	12/13
Mr. Zhang Xiaofei (appointed on 16 November 2015)	0/1
Mr. Ye Ji Li (appointed on 29 February 2016)	N/A
Dr. Tsang Cheung Fat (appointed on 1 June 2015 and resigned on 16 November 2015)	6/11
Ms. Han Pang (appointed on 1 June 2015 and resigned on 8 October 2015)	1/8
Mr. Leung Wah (resigned on 5 June 2015)	3/4
Ms. Lai Sze Ngot (resigned on 5 June 2015)	0/4
Mr. Lo Chi Ko (appointed on 29 January 2015 and resigned on 5 June 2015)	1/4
Mr. Luk Chi Keung (appointed on 2 February 2015 and resigned on 5 June 2015)	1/4

The Company did not hold any shareholders' meeting during the Year.

CHAIRMAN AND CHIEF EXECUTIVE

Between 1 September 2014 and 5 June 2015, Mr. Chen Jing was the Chairman of the Board of Directors. Between 5 June and 16 November 2015, Mr. Wang Shi Jin was the Deputy Chairman of the Board of Directors. Since 16 November 2015, Mr. Chen Yongsen is the Chairman of the Board of Directors.

Between 23 January 2009 and 5 June 2015, the position of CEO was vacant. Between 5 June and 16 November 2015, Mr. Zeng Xiang Di was the Deputy CEO of the Company. Since 16 November 2015, Mr. Wang Shi Jin is the CEO of the Company.

As the position of CEO was vacant during part of the Year, there had been a deviation from Code Provision A.2.1 of the CG Code, which provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. We note that the Company was previously of the view that there were adequate balance of power and safeguards in place, through internal discussions amongst Board members and top management members and under the supervision of independent non-executive directors who took positions in various committees of the Board and who were supposed to offer experience, expertise, independent advice and views from different perspectives. Following the appointment of Deputy Chairman and Deputy CEO on 5 June 2015, the Company regards that it has complied with Code Provision A.2.1.

TRAINING AND SUPPORT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. The Group is supposed to provide briefings and other training to develop and refresh the Directors' knowledge and skills. The Group is also supposed to continuously update Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

TRAINING AND SUPPORT FOR DIRECTORS *(Continued)*

Based on the records of the Company and having made specific enquiries, the Company believes that the Directors have received the following training and/or rules update and/or professional development during the Year:

Name of directors	Type of Training
EXECUTIVE DIRECTORS	
Mr. Chen Yongsen (appointed on 12 August 2015), Chairman (appointed on 16 November 2015)	A, B
Mr. Wang Shi Jin (appointed on 29 January 2015), Deputy Chairman (from 5 June 2015 to 16 November 2015) and Chief Executive Officer (appointed on 16 November 2015)	A, B
Mr. Zhu Jianqin	A, B
Mr. Chen Zheng Xue (appointed as independent non-executive Director on 16 October 2014 and re-designated as executive Director on 29 January 2015)	A, B
Ms. Shi Qiu Yu (appointed as non-executive Director on 16 October 2014 and re-designated as executive Director on 29 January 2015)	A, B
Mr. Chen Hua (appointed on 29 February 2016)	N/A
Mr. Wong Wing Choi (appointed on 29 February 2016)	N/A
Mr. Chen Jing, Chairman (resigned on 5 June 2015)	unknown
Mr. Li Jianchao, Chief Executive Officer (resigned on 5 June 2015)	unknown
Mr. Zeng Xiang Di (appointed on 29 January 2015 and resigned on 16 November 2015), Deputy Chief Executive Officer (from 5 June 2015 to 16 November 2015)	B
Mr. Charles Liu Kam Man (appointed on 1 June 2015 and resigned on 8 October 2015)	B
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Anson Poon Wai Kong (appointed on 1 June 2015)	A, B
Mr. Poon Chi-Choy, Sonny (appointed on 1 June 2015)	A, B
Mr. Zhang Xiaofei (appointed on 16 November 2015)	A, B
Mr. Ye Ji Li (appointed on 29 February 2016)	N/A
Dr. Tsang Cheung Fat (appointed on 1 June 2015 and resigned on 16 November 2015)	A
Ms. Han Pang (appointed on 1 June 2015 and resigned on 8 October 2015)	unknown
Mr. Leung Wah (resigned on 5 June 2015)	A
Ms. Lai Sze Ngot (resigned on 5 June 2015)	unknown
Mr. Lo Chi Ko (appointed on 29 January 2015 and resigned on 5 June 2015)	B
Mr. Luk Chi Keung (appointed on 2 February 2015 and resigned on 5 June 2015)	A

Remarks:

A: attending seminars and/or conferences and/or forums.

B: reading newspapers, journals and updates relating to the economy, general business or director’s duties and responsibilities etc.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

APPOINTMENT, RE-ELECTION AND REMOVAL

During the Year, all non-executive Directors of the Company (except Ms. Shi Qiu Yu) were appointed for a specific term, subject to re-election. As stated in section headed "Corporate Governance Practice" above, when Ms. Shi Qiu Yu was appointed as a non-executive Director on 16 October 2014 (who was subsequently re-designated as an executive Director from 29 January 2015), she has not been appointed for any fixed term but was subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Articles.

RESPONSIBILITIES OF DIRECTORS

The Directors are supposed to be continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive Directors, as other Directors, are supposed to participate actively in the board meetings and meetings of Audit Committee, Nomination Committee and Remuneration Committee. They are supposed to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They are supposed to lead where potential conflicts of interests arise in connected transaction.

INSURANCE

The Company has arranged appropriate liability insurance, with coverage being reviewed annually, to indemnify the directors from their risk exposure arising from corporate activities.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, agenda and accompanying board papers of the meeting were supposed to be sent in full to all Directors in advance before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each Director is supposed to have separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

REMUNERATION COMMITTEE

As at 31 December 2015, the Remuneration Committee of the Company ("**RC**") comprised of three directors, namely, Mr. Anson Poon Wai Kong, Mr. Poon Chi Choy, Sonny and Mr. Zhang Xiaofei, all of whom being independent non-executive Directors at the relevant time. On 11 April 2016, Mr. Ye Ji Li, an independent non-executive Director, was appointed as a member of the RC. As at 31 December 2015 and as of the date of this Annual Report, Mr. Zhang Xiaofei was and is the chairman of the RC.

The RC was delegated with the authority of the Board of the Company to determine and review the remuneration packages of all directors and senior management. The primary function of the RC is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management and for the Board's final determination. The full terms of reference of the RC are available on the Company's website: www.tatchun.com and the website of the Stock Exchange: www.hkexnews.hk.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE *(Continued)*

During the Year, the RC held 2 meetings. The attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Anson Poon Wai Kong (appointed on 5 June 2015)	2/2
Mr. Poon Chi-Choy, Sonny (appointed on 5 June 2015)	2/2
Mr. Zhang Xiaofei (appointed on 16 November 2015)	N/A
Mr. Ye Ji Li (appointed on 11 April 2016)	N/A
Dr. Tsang Cheung Fat (appointed on 5 June 2015 and resigned on 16 November 2015)	1/1
Ms. Han Peng (appointed on 5 June 2015 and resigned on 8 October 2015)	0/1
Mr. Chen Zheng Xue (appointed on 16 October 2014 and ceased to be committee member on 29 January 2015)	N/A
Mr. Leung Wah (resigned on 5 June 2015)	N/A
Ms. Lai Sze Ngot (resigned on 5 June 2015)	N/A
Mr. Lo Chi Ko (appointed on 29 January 2015 and resigned on 5 June 2015)	N/A
Mr. Luk Chi Keung (appointed on 2 February 2015 and resigned on 5 June 2015)	N/A

The RC has considered and approved the Group's policy for the remuneration of directors during the Year. The RC is supposed to make an assessment on the performance of the directors and other key management members and considered their remuneration package by reference to the prevailing packages with companies listed on the Main Board of the Stock Exchange. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 12 to the financial statements. Details of the remuneration of senior management (including directors) are disclosed below:

	2015 No of persons
Emoluments (including director's fee, salary and other benefits, share-based payments, performance-related incentive payment and retirement benefit scheme contributions)	
HKD 6,000,000 – HKD 7,000,000	–
HKD 5,000,000 – HKD 6,000,000	3
HKD 4,000,000 – HKD 5,000,000	1
HKD 3,000,000 – HKD 4,000,000	–
HKD 2,000,000 – HKD 3,000,000	5
HKD 1,000,000 – HKD 2,000,000	–
HKD 50,000 – HKD 1,000,000	12

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

As at 31 December 2015, the Nomination Committee of the Company ("**NC**") comprised of four directors, namely, Mr. Wang Shi Jin, Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, and Mr. Zhang Xiaofei. Three out of four NC members, namely Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, and Mr. Zhang Xiaofei, were independent non-executive directors. As at 31 December 2015, Mr. Wang Shi Jin was the chairman of the NC. As Mr. Wang Shi Jin had stepped down from Deputy Chairman with effect from 16 November 2015, there has been a deviation from Code Provision A.5.1 of the CG Code between 16 November 2015 to 29 February 2016, which provides that the NC is to be chaired by the chairman of the Board or an independent non-executive director.

As of the date of this Annual Report, the NC comprises of five directors, namely, Mr. Chen Yongsen, Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, Mr. Zhang Xiaofei and Mr. Ye Ji Li. Four out of five NC members, namely Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, Mr. Zhang Xiaofei and Mr. Ye Ji Li, are independent non-executive Directors. As at the date of this Annual Report, Mr. Chen Yongsen, an executive director and the Chairman of the Board, is the chairman of the NC. After the appointment of Mr. Chen Yongsen as the chairman of the NC, the Company regards that it has complied with Code Provision A.5.1.

The NC was delegated with the authority of the Board of the Company to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy. The primary function of the NC is to review the structure, size and composition of the Board annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy. The full terms of reference of the NC are available on the Company's website: www.tatchun.com and the website of the Stock Exchange: www.hkexnews.hk.

During the year ended 31 December 2015, the NC held 3 meetings. The attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Chen Yongsen (appointed on 29 February 2016)	N/A
Mr. Anson Poon Wai Kong (appointed on 5 June 2015)	3/3
Mr. Poon Chi-Choy, Sonny (appointed on 5 June 2015)	3/3
Mr. Zhang Xiaofei (appointed on 16 November 2015)	N/A
Mr. Wang Shi Jin (appointed on 16 November 2015 and ceased to be a member on 29 February 2016)	N/A
Mr. Ye Ji Li (appointed on 11 April 2016)	N/A
Dr. Tsang Cheung Fat (appointed on 5 June 2015 and resigned on 16 November 2015)	2/2
Ms. Han Peng (appointed on 5 June 2015 and resigned on 8 October 2015)	0/1
Mr. Chen Zheng Xue (appointed on 16 October 2014 and ceased to be committee member on 29 January 2015)	N/A
Mr. Leung Wah (resigned on 5 June 2015)	N/A
Ms. Lai Sze Ngot (resigned on 5 June 2015)	N/A
Mr. Lo Chi Ko (appointed on 29 January 2015 and resigned on 5 June 2015)	N/A
Mr. Luk Chi Keung (appointed on 2 February 2015 and resigned on 5 June 2015)	N/A

CORPORATE GOVERNANCE REPORT

COMPLIANCE COMMITTEE

As at 31 December 2015, the Compliance Committee of the Company ("**CC**") comprised of four directors, namely, Mr. Wang Shi Jin, Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny and Mr. Zhang Xiaofei. Three out of four CC members, namely, Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny and Mr. Zhang Xiaofei were independent non-executive Directors. As at 31 December 2015, Mr. Wang Shi Jin was the chairman of the CC.

As of the date of this Annual Report, the CC comprises of five directors, namely, Mr. Wang Shi Jin, Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, Mr. Zhang Xiaofei and Mr. Ye Ji Li. Four out of five CC members, namely Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, Mr. Zhang Xiaofei and Mr. Ye Ji Li, are independent non-executive Directors. As at the date of this Annual Report, Mr. Wang Shi Jin is the chairman of the CC.

The CC was delegated with the authority of the Board of the Company to oversee the Group's compliance with laws and regulations relevant to the Group's business operations and to review the effectiveness of the Group's regulatory compliance procedures and system. The primary function of the CC is to make oversee matters of the Group relating to regulatory and compliance, internal control and corporate governance requirements. The full terms of reference of the CC are available on the Company's website: www.tatchun.com and the website of the Stock Exchange: www.hkexnews.hk.

During the Year, the CC held 1 meeting. The attendance of each member is set as follows:

Name of member	Number of attendance
Mr. Wang Shi Jin (appointed on 6 November 2015)	1/1
Mr. Anson Poon Wai Kong (appointed on 6 November 2015)	1/1
Mr. Poon Chi-Choy, Sonny (appointed on 6 November 2015)	1/1
Mr. Zhang Xiaofei (appointed on 16 November 2015)	1/1
Mr. Ye Ji Li (appointed on 11 April 2016)	N/A
Dr. Tsang Cheung Fat (appointed on 6 November 2015 and resigned on 16 November 2015)	N/A

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The management is supposed to provide such explanation and information to the Board on monthly basis so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. For the purpose of the Company's financial year ended 31 December 2015, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, and the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. HLB Hodgson Impey Cheng Limited, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body and for no other purpose.

The Company has failed to announce its 2015 interim results and 2015 final results in a timely manner after the end of the relevant periods in compliance with the Listing Rules. However, the Company has subsequently published 2015 interim results and 2015 final results on 24 March 2016 and 15 April 2016 respectively.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

INTERNAL CONTROLS

The Board has overall responsibility for the risk management and internal control systems of the Company and for reviewing their effectiveness. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

As stated in the Company's announcements dated 31 August 2015, 6 November 2015 and 6 January 2016, the Company engaged RSM as our internal control adviser to conduct a thorough review of our internal control systems and make recommendations to the Company for this purpose. RSM has made recommendations to the Company and the Board has, on 5 November 2015, adopted the New IC Procedures which not only cover the usage of chops and grant of guarantees and indemnities but also policies regarding: (a) investment decisions; (b) handover of work on change of key personnel; (c) risk assessment and control; (d) external communication; (e) financial reporting, budgeting and closing, bank reconciliation, accounting system and records; (f) cash management and loans approval; (g) sales contract management, sales order approval and credit control; (h) purchase contract management and procurement; (i) record registration, management, depreciation and disposal of fixed assets; (j) stock take, reconciliation and record registration of inventory; (k) management and filing of contract authorization and execution; (l) human resources and payroll; (m) production, materials monitoring and quality; and (n) information technology controls. In the first week of December 2015, the New IC Procedures have been circulated to all relevant staff members of the Group. The heads of the departments of each and every key operating subsidiary of the Company in China were delegated the responsibility to provide introductory training to his staff members on the New IC Procedures.

AUDIT COMMITTEE

As at 31 December 2015, the Audit Committee of the Company ("**AC**") comprised of three independent non-executive Directors, namely, Mr. Anson Poon Wai Kong, Mr. Poon Chi Choy, Sonny and Mr. Zhang Xiaofei. One out of three AC members, Mr. Anson Poon Wai Kong possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. On 11 April 2016, Mr. Ye Ji Li, and independent non-executive Director, was appointed as a member of the AC. As at 31 December 2015 and as of the date of this Annual Report, Mr. Anson Poon Wai Kong was and is the chairman of AC.

No former partner of the Company's existing auditing firm acted as a member of the AC within one year from ceasing to be a partner or having any financial interest in the auditing firm.

The AC was delegated with the authority of the Board of the Company to investigate any activity within its terms of reference. The primary function of the AC is to review and supervise the Group's financial reporting process and internal controls. The AC has also reviewed arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions. The full terms of reference of the AC are available on the Company's website: www.tatchun.com and the website of the Stock Exchange: www.hkexnews.hk.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

AUDIT COMMITTEE *(Continued)*

3 AC meetings were held in 2015 to discuss the financial reporting and compliance procedures and review the internal control system with the external auditors. The attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Anson Poon Wai Kong (appointed on 5 June 2015)	3/3
Mr. Poon Chi-Choy, Sonny (appointed on 5 June 2015)	3/3
Mr. Zhang Xiaofei (appointed on 16 November 2015)	N/A
Mr. Ye Ji Li (appointed on 11 April 2016)	N/A
Dr. Tsang Cheung Fat (appointed on 5 June 2015 and resigned on 16 November 2015)	3/3
Ms. Han Peng (appointed on 5 June 2015 and resigned on 8 October 2015)	1/3
Mr. Chen Zheng Xue (appointed on 16 October 2014 and ceased to be committee member on 29 January 2015)	N/A
Mr. Leung Wah (resigned on 5 June 2015)	N/A
Ms. Lai Sze Ngot (resigned on 5 June 2015)	N/A
Mr. Lo Chi Ko (appointed on 29 January 2015 and resigned on 5 June 2015)	N/A
Mr. Luk Chi Keung (appointed on 2 February 2015 and resigned on 5 June 2015)	N/A

There was no disagreement between the Board and the AC on the selection, appointment, resignation or dismissal of the external auditors. The Company's annual results for the year ended 31 December 2015 has been reviewed by the AC.

Apart from the AC meetings, the independent non-executive Directors have also conducted a meeting with the auditors to discuss matters relating to the Company's audit fees and other issues arising from the audit for the Year.

The AC monitors the audit and non-audit services rendered to the Group by its external auditor and ensure that their engagement in other non-audit services will not impair their audit independence or objectivity.

Fee paid/payable to Group's auditors

For the financial year ended 31 December 2015, the fee paid/payable to the Group's auditors is set out as follows:

Services rendered	Fee paid/payable HK$'000
Audit services	2,000
Non-audit services	
— Taxation services	Nil
— Interim review	400

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

MANAGEMENT FUNCTIONS

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads of the Company and its operating subsidiaries that are responsible for different aspects of the operations of the various members of the Group.

COMMUNICATION WITH SHAREHOLDERS

EFFECTIVE COMMUNICATION

The AGM is supposed to enable the shareholders of the Company to exchange views with the Board. The Chairman of the Board and the Chairmen of AC, RC and NC are supposed to attend the AGM to be available to answer the questions of the shareholders of the Company.

Separate resolutions will be proposed at the forthcoming AGM on each substantially separate issue, including the re-election of the retiring directors. The Shareholder Communication Policy is available on the Company's website: www.tatchun.com.

According to Article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to directors or management of the Company. Such questions, requests and comments can be addressed to the Board of Directors of the Company by mail to Unit 1001E, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong or by email to tatchun@tatchun.com.

VOTING BY POLL

The right to demand a poll will be set out in the circular to shareholders of the Company to be dispatched to shareholders in relation to the forthcoming AGM.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association are available on the Company's website: www.tatchun.com and the Stock Exchange's website: www.hkexnews.hk. No significant change is made to the Company's constitutional documents during the Year.

COMPANY SECRETARY

On 5 June 2015, Ms. Chan Yim Kum resigned as the Company Secretary of the Company and Mr. Chan Chun Kau was appointed as Company Secretary of the Company.

The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in manufacturing and trading of broad range of LED lighting and PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs (for up to 12 layers). The breakdown of turnover based on products is summarised as follows:

	Year 2015 HK$'000	%	Year 2014 HK$'000	%	Increase/ (decreased) HK$'000	Change in %
LED Lighting	**5,797**	**1.1%**	30,451	4.3%	(24,654)	–81.0%
Single-sided PCB	**157,811**	**29.6%**	195,619	27.7%	(37,808)	–19.3%
Double-Sided PCB	**212,969**	**39.9%**	278,444	39.4%	(65,475)	–23.5%
Multi-layered PCB	**157,031**	**29.4%**	201,407	28.6%	(44,376)	–22.0%
	533,608	**100.0%**	705,921	100.0%	(172,313)	–24.4%

The three categories of PCB products are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the Year, single and doubled-sided PCB's used for consumer electronics accounted for approximately 69.5% of the Group's turnover. High-end multi-layered PCBs were also a core product of the Group, accounting for 29.4% of turnover.

The Group's turnover by geographical regions is summarised as follows:

	Year 2015 HK$'000	%	Year 2014 HK$'000	%	Increase/ (decreased) HK$'000	Change in %
Hong Kong	**128,159**	**24.0%**	170,295	24.1%	(42,136)	–24.8%
The PRC	**240,433**	**45.1%**	292,307	41.4%	(51,874)	–17.8%
Asia (Excluding Hong Kong and the PRC)	**73,787**	**13.8%**	128,637	18.2%	(54,850)	–42.6%
Europe	**67,098**	**12.6%**	89,651	12.7%	(22,553)	–25.2%
Others	**24,131**	**4.5%**	25,031	3.6%	(900)	–3.5%
	533,608	**100.0%**	705,921	100.0%	(172,313)	–24.4%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

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.

Production plant	Location	Area	Products	Production capacity	Commencement of operations
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 layered PCBs	1,300,000 sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong the PRC	52,000 sq. m.	2–12 layered PCBs	900,000 sq. ft. per month (phase 1)	October 2007 (phase 1)

FINANCIAL REVIEW

For the Year, the Group's turnover amounted to approximately HK$533.6 million, representing a decrease of 24.4% as compared to approximately HK$705.9 million for the last year. The turnover of LED lighting has decreased by 81.0% when compared with 2014. The gross profit margin for the year of 2015 was 7.5% (2014: 7.4%). The gross profit margins for LED lighting and PCBs were 7.0% and 7.6% respectively.

The turnover and gross profit margin for both LED lighting and PCB business decreased, mainly attributable to (i) strong competition in LED lighting sector; (ii) more competitiveness in PCB industry; and (iii) reduction in average selling price of PCB. Loss attributable to shareholders was approximately HK$81.2 million (2014: HK$111.9 million).

IMPAIRMENT LOSS IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

During the Year, the Directors conducted a review of the Group's plant and machinery and determined that a number of those assets were impaired due to the decline of market price and the increase in cost of production. Accordingly, no impairment losses were recognised respectively in respect of plant and machinery and leasehold improvements, which are used in the Group's PCB (2014: HK$3,179,000) and LED (2014: HK$4,022,000) business for the year ended 31 December 2015. The recoverable amount of the relevant assets are determined on the basis of their value in use and is less than the carrying value before impairment assessment as at 31 December 2015. No negative cash flow effect is made to the Group as a result of these impairments.

IMPAIRMENT LOSS IN RESPECT OF INVENTORIES

During the Year, the Directors conducted a review of the Group's inventories and determined that the finished goods aged over 180 days, and raw materials aged over 1 year, were fully impaired, due to dynamic market changes. Accordingly, no impairment loss (2014: HK$3,861,000) has been recognised in respect of inventories for the year ended 31 December 2015. No negative cash flow effect is made to the Group as a result of this impairment.

RECOGNISED SHARE BASED PAYMENTS

During the year ended 31 December 2015, the Group recognised a share based payments amounted HK$NIL (2014: HK$32,144,000). No negative cash flow effect is made to the Group as a result of these share based payments.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

WRITTEN OFF/IMPAIRMENT LOSS RECOGNISED ON TRADE RECEIVABLES AND OTHER RECEIVABLES

Since July 2010, the Group was over-optimistic in LED lighting business, like our peers, and experienced too fast expansion in securing LED lighting projects in various cities. During the Year, the management performed an impairment assessment on trade receivables and other receivables. The written off/impairment losses of HK$Nil (2014: HK$7,267,000) for LED lighting business and HK$Nil (2014: HK$1,809,000) for PCB business were recognised respectively. More stringent risk management measures have been implemented to control the credit risk since the second half of 2012.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2015, the Group had total assets of approximately HK$980.2 million (31 December 2014: HK$1,141.1 million) and interest-bearing borrowings of approximately HK$122.2 million (31 December 2014: HK$231.2 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 12.5% (31 December 2014: 20.3%).

The Group had net current assets of approximately HK$9.8 million (31 December 2014: net current assets of HK$57.9 million) consisted of current assets of approximately HK$687.6 million (31 December 2014: HK$798.0 million) and current liabilities of approximately HK$677.8 million (31 December 2014: HK$740.1 million), representing a current ratio of approximately 1.01 (31 December 2014: 1.08).

As at 31 December 2015, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$129.5 million (31 December 2014: HK$273.3 million). As at 31 December 2015, the Group had cash and bank balances (excluding pledged bank deposits), of approximately HK$43.8 million (31 December 2014: HK$167.3 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 ("**HK$**") and Renminbi ("**RMB**"). However, foreign currencies, mainly United States Dollars ("**US$**") are required to settle the Group's expenses and additions on property, plant and equipment. There are also sales transactions denominated in US$ 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 2015, the Group employed a total of approximately 1,687 employees (31 December 2014: 2,068), including approximately 1,611 employees in its Zhongshan production site, 55 employees in its PRC LED business units and approximately 21 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 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 holds regular training programmes and encourages staffs to attend training courses and seminars that are related directly or indirectly to the Group's business.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INFORMATION

DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend (31 December 2014: Nil).

LITIGATIONS

(a) In June 2014, Tat Chun Printed Circuit Board Company Limited ("HKTC"), a subsidiary of the Company, received an order from Zhejiang Province Jiaxing Intermediate People's Court ordering HKTC to comply with an arbitral award in the PRC which requires HKTC to make a payment to a customer in the amount of approximately HK$14,701,000 in respect of certain alleged breach of contract.

In view of the possible cash outflow arising from such proceedings, the full amount of the compensation was provided for and recognised as other gains and losses in the consolidated financial statements for the years ended 31 December 2014. HKTC paid the compensation to the customer in full in June 2015.

(b) On 9 December 2014, TC Orient (Jiangsu) Optoelectronic Company Limited (達進東方（江蘇）光電有限公司) ("**TC Orient (JS)**"), a subsidiary of the Company, received a writ issued by 連雲港市連溧椿基工程有限公司中雲分公司 (the "**Plaintiff**") against TC Orient (JS) and filed with Lianyungang City Lianyun District People's Court together with the related court summons, whereby the Plaintiff alleged that TC Orient (JS) shall make a payment of RMB1,331,000 (approximately HK$1,662,000) under certain alleged settlement agreement.

In view of the possible cash outflow arising from such proceedings, the full amount of the claim was provided for and recognised as other gains and losses in the consolidated financial statements for the year ended 31 December 2014. In July 2015, Lianyungang City Lianyun District People's Court made an order requiring TC Orient (JS) to make full payment under the claim.

(c) PRC Court Orders

On 23 April 2015, Zhongshan Tat Chun Printed Circuit Board Company Limited (中山市達進電子有限公司), a wholly owned subsidiary of the Company ("**Zhongshan Tat Chun**") received court orders (the "**PRC Court Orders**") issued on 17 April 2015 by the court of Bao An District, Shenzhen City, Guangdong Province, the PRC (the "Bao An Court").

Pursuant to the PRC Court Orders, upon the application made by Huang Shuidi (黃水第) ("**Ms. Huang**"), Bao An Court granted a pre-trial injunction to restraint (i) Mr. Chen Jing; (ii) Shenzhen Optoelectronic Industry Holdings Group Company Limited (深圳光電產業控股集團有限公司) (a company whose president is Mr. Chen since 2012) ("**Shenzhen Optoelectronic**"); (iii) Zhongshan Tat Chun; and (iv) Shenzhen City Jin Lai Shun Group Company Limited (深圳市金來順集團有限公司) (a company whose chief executive officer was Mr. Chen from 2007 to 2013) ("**Jin Lai Shun**") from disposing of their assets in the total amount of RMB12,340,000.

According to the PRC Court Orders, the pre-trial injunction was granted in relation to the dispute over the loan transactions between Ms. Huang, Shenzhen Optoelectronic, Mr. Chen, Zhongshan Tat Chun and Jin Lai Shun.

Further details relating to the PRC Court Orders are more particularly set out in the Company's announcement dated 30 April 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INFORMATION *(Continued)*

LITIGATIONS *(Continued)*

(d) The Demand Letter and the Purported Guarantees and Indemnity

On 27 April 2015, Tat Chun PCB International Company Limited (a wholly-owned subsidiary of the Company) ("**Tat Chun PCB**") received a demand letter dated 21 April 2015 (the "**Demand Letter**") from a solicitors firm acting on behalf of the Huang Guihua, Wu Qian Hong and Ms. Huang (the "**Lenders**"), alleging that:

1. Zhongshan Tat Chun had purportedly provided seven guarantees (the "**Guarantees**") for securing the repayment of the loans granted by the Lenders to Mr. Chen and Shenzhen Optoelectronic in the total principal amount of RMB$31,000,000.00 (the "Guaranteed Principal") and accrued interests RMB8,048,000;

2. Tat Chun PCB and the Company purportedly executed an indemnity dated 11 April 2015 in favour of the Lenders and Mr. Chen Gui Yang (陳貴陽) (the "**Indemnity**"), pursuant to which Tat Chun PCB and the Company purportedly covenanted to pay to the Lenders and Mr. Chen Gui Yang (陳貴陽) the moneys owed to them by Mr. Chen and Shenzhen Optoelectronic in the total sum of RMB77,720,000.00 which consisted of the aggregate principal amount of RMB60,700,000.00 and interest in the aggregate amount of RMB17,020,000.00, such sums included the Guaranteed Principal.

In the Demand Letter, the law firm acting on behalf of the Lenders demanded Tat Chun PCB to pay to the Lender the sum of RMB39,048,000.00, within 21 days from the date of the Demand Letter.

Further details relating to the Demand Letter, the Guarantees and the Indemnity are more particularly set out in the Company's announcement dated 30 April 2015.

(e) First Petition and Second Petition

On 13 May 2015, Tat Chun PCB received a petition for commencing the legal proceedings for its winding up in the High Court of Hong Kong issued by the Lenders (the "**First Petition**"). Further details relating to the First Petition are more particularly set out in the Company's announcement dated 15 May 2015.

The Company has also notified that a second petition dated 13 May 2015 was filed with the High Court of Hong Kong against the Company for its winding up (the "**Second Petition**"). The Second Petition is, again, based on the allegations along the lines of the Demand Letter and the First Petition. Further details relating to the Second Petition are more particularly set out in the Company's announcement dated 9 July 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INFORMATION *(Continued)*

LITIGATIONS *(Continued)*

(f) Dismissal of the PRC Court Order

Upon the application of Ms. Huang and other plaintiffs, Bao An Court granted orders on 13 August 2015 (the "**Withdrawal Orders**") ordering the withdrawal of the PRC Court Orders and all related pre-trial asset-preserving injunctions and legal proceedings involving Zhongshan Tat Chun, Tat Chun PCB and the Company. According to the Withdrawal Orders, Ms. Huang and other plaintiffs have reached a settlement agreement with the defendants (other than Zhongshan Tat Chun and Tat Chun PCB) and therefore wished to petition to the Bao An Court for withdrawing all proceedings and injunctions against Zhongshan Tat Chun and Tat Chun PCB.

Further details relating to the dismissal of the PRC Court Orders are more particularly set out in the Company's announcement dated 18 August 2015.

(g) Dismissal of the First Petition and Second Petition

Upon the application for consent summons by the petitioners and the Company, the High Court of Hong Kong ordered at a hearing on 31 August 2015 that the First Petition and the Second Petition be dismissed.

Further details relating to the dismissal of the First Petition and the Second Petition are more particularly set out in to the Company's announcement dated 31 August 2015.

TRADING HALT

With effect from 10:48 am on 24 April 2015, the trading in the Shares on the Stock Exchange was suspended. Trading in the Shares resumed on the Stock Exchange with effect from 9:00 am on 18 April 2016.

CHARGE OF ASSETS

Details of the charge of assets are set out in note 34 to the financial statements.

CONTINGENT LIABILITIES

The Company has no contingent liabilities for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

Any arrangements regarding the closure of register of members for determining the eligibility of shareholders to attend and vote at the forthcoming AGM of the Company will be disclosed in the Company's circular to be dispatched in relation to the AGM.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

1. GROUP STRATEGIC MOVE AND PROSPECTS IN LED SEGMENT

A. Enhancement of existing technology and production base

The Group understands that the potentials of the LED segment have not been fully explored. Based on our current technology platform, accumulated experience and to further strengthen our market share in the street light market, the Group has formulated the following strategies going forward:

(i) Selling of street light modules to partners other than first tier cities

The Group will continue to focus our effort in pursuing large street light projects in first tier cities as these projects require an established brand, quality product and control experience of extensive project profile.

Gauged on our technology and procurement strengths, establishing partnership with other street light service providers other than first tier cities will be the focus of our marketing effort. Other than further utilising our technology and production capacity, this move is hoped to improve our market share in Mainland China and also our cash flow in the coming years though the margin per project is expected to reduce.

On balance, the Group believes that this strategy will strengthen the Group in the LED street light sector and increase overall profitability level in the long run.

(ii) Extension to the overseas market of street light

Thanks to our extensive project experience, quality of our products and the product profiles in Mainland China, the Group has been approached by various overseas buyers to request the supply of street light overseas. This request has inspired the Group to consider the overseas market in the coming financial year. This strategic change will further utilise our existing technology and production platform.

Accordingly, the Group expects to expand the overseas division by recruiting more professionals or cooperating with other companies in order to vigorously explore the overseas market potentials.

Certainly, more research and development will be conducted on advanced street light application including wireless control system of the smart street light which has been started to apply in Mainland China by our Group.

(iii) New product range: High-watt-flood-light for signage lighting

A well-known issue for the advertising industry is that the signage lighting has consumed a lot of power for the signboard or the billboard. As the Group has extensive experience in lighting design in utilizing special lens, high wattage driver, high power LED chips and heat sink ("**Special Lighting Design**", or SLD), the Group believe this market potential is great and will focus to develop a series of products which will match the special requirements of the advertising industry normally utilising the lights with a range between 100 watts to more than 1,000 watts.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

1. GROUP STRATEGIC MOVE AND PROSPECTS IN LED SEGMENT *(Continued)*

B. Extension of our technology to Special Lighting Design

As just mentioned, the Group has specialised experience in SLD. The potential in applying our existing researches are also vital to the Group development in the LED lighting sectors. As a result, the Group has continued to research the applications which could utilise our technology base to further develop our product profile.

The Group believes that the special LED sector is expected to generate more business in future and has a lot of potentials. The Group may also consider developing in the plant factory system and industry if opportunity comes. The Group is identifying suitable partners in this sector with the view to entering this industry as early as possible.

C. Extension of product profile

As the LED technology has become more stable, the demand of products for small-wattage products (1 watt to 48 watts) becomes more popular. The demand for these products are significant for both Mainland market and overseas market.

The Group plans to specialise in certain product range in order to tap the market move in the coming financial year. The Group intends to focus on either special products or high volumes product in order to fully utilise the branding effect and production capacity.

D. Conclusion

The Company expects the LED lighting industry to continue to grow for industrial and commercial applications.

The Group hopes to seize this opportunity by combining the current and new technology and resources to improve its industry position. The Group will continue its efforts in the coming year with the view to improving our performance in the LED lighting sector.

2. GROUP STRATEGIC MOVE AND PROSPECTS IN PCB SEGMENT

Following the global economic slowdown, the PCB industry also experiences similar pressure in the Year. Although the PCB industry faces a general slowdown in the demand growth in the market, the competition in the industry is less severe as some PCB manufacturers left the field, resulting in a more favourable business environment for the industry on a whole for the year 2016.

In the market of end-user product, there is a trend for PCB manufacturers to shift their production from personal computer, notebook and consumer electronics to communications, computer peripheral and communication infrastructure products. Therefore, the growth in demand for rigid-flex board will be greater than that of the general purpose rigid board.

The management will supervise the Group's business development activities so as to align with the market trend and equip the Group's staff members with the necessary technology knowledge to help move the Group's business forward.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

2. GROUP STRATEGIC MOVE AND PROSPECTS IN PCB SEGMENT *(Continued)*

A. Adjustment to product mix:

For single-sided PCBs, we intend to shift to metal base materials for high-end LED and backlight power supply. The Company is hoping for an improvement of PCB sales in view of the major international customers secured in 2015.

For multi-layered PCBs, we intend to develop motor vehicle market. The Company is trying to secure orders from leading automotive electrical appliance assembly companies in the world.

We also intend to strengthen our cooperation with top domestic PCB manufacturers to support our research and development and marketing of high-end 4G communications products.

B. Measures to be taken in order to increase sales

We target to expand our sales team and recruit talents, in particular building our teams for overseas markets such as Europe and U.S. to capture any opportunities.

We target to expand our OEM function, and will share market and profit with suitable OEM manufacturers while securing long-term customers.

We target to improve our production quality and optimise management through assessment of performance.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chen Yongsen, aged 45, was appointed as an executive Director with effect from 12 August 2015, was appointed as the Chairman of the Board with effect from 16 November 2015 and the chairman of the NC with effect from 29 February 2016. Mr. Chen has over 20 years' experience in hotel management. Since as early as the 1990's, he was responsible for key managerial positions in various hotels in Shenzhen, China. From around 10 years ago, Mr. Chen started his own business, and owned a factory and managed a hotel in Shenzhen, China.

Mr. Wang Shi Jin, aged 62, was appointed as an executive Director with effect from 29 January 2015 and appointed as the Deputy Chairman of the Company with effect from 5 June 2015. Mr. Wang stepped down from the position of the Deputy Chairman and was re-designated as the Chief Executive Officer of the Company with effect from 16 November 2015. Mr. Wang was appointed as the chairman of the NC between 8 October 2015 and 29 February 2016. Mr. Wang is a founder of a reputable company in the PRC specializing in advanced technologies and engineering services. Mr. Wang obtained a bachelor's degree and a master's degree from the Peking University and furthered his studies in America as candidate for the Doctor of Philosophy.

Mr. Zhu Jianqin, aged 42, was appointed as an executive Director with effect from 7 September 2010. Mr. Zhu is an expert in LED control systems and has more than 18 years of working experience in electronic industry. Mr. Zhu has obtained a bachelor degree and a master degree in Engineering at Harbin Institute of Technology. He was the co-founder of Shenzhen Maxcolor Opto-Semiconductor Lighting Technology Limited and re-structured it as Orient Opto-Semiconductors Corp. ("**Dongfang**") in 2009. Mr. Zhu is a shareholder and director of Dongfang (a holder of 30% interest of a subsidiary of the Company).

Mr. Chen Zheng Xue, aged 49, was appointed as independent non-executive Director of the Company and member of the AC and NC and the Chairman of the RC of the Company with effect from 16 October 2014. Mr. Chen was re-designated as an Executive Director of the Company with effect from 29 January 2015 and ceased to be a member of the AC and NC and the chairman of the RC with effect from 29 January 2015. Mr. Chen is an economist and holds a specialty degree and master's degree in business administration from Xiamen University. Mr. Chen has extensive experience in credit and finance, asset management and business management including holding major positions in a bank. He also worked at the management level in several investment firms involving major financing and investment projects and important management decision making.

Ms. Shi Qiu Yu, aged 43, was appointed as a non-executive Director of the Company with effect from 16 October 2014 and was re-designated as an executive director of the Company with effect from 29 January 2015. Ms. Shi graduated from the School of Arts of Hubei Province* (湖北省藝術學校) and holds a master's degree in business administration from the University of Hubei* (湖北大學). Ms. Shi has extensive experience in business project operation.

Mr. Chen Hua, aged 53, was appointed as an executive Director with effect from 29 February 2016. Mr. Chen has over 33 years of experience in property construction and engineering and project management in China. He obtained a Bachelor of Civil Engineering from Sun Yat-sen University, Guangzhou in 1983. Mr. Chen was appointed to assist Mr. Chen Yongsen, the Chairman of the Board, to supervise the Group's operation and development.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

EXECUTIVE DIRECTORS *(Continued)*

Mr. Wong Wing Choi, aged 51, was appointed as an executive Director with effect from 29 February 2016. He has first joined the Company in March 2001 and was previously an Executive Director of the Company between 5 June 2006 and 23 January 2009. Mr. Wong was also the Managing Director of the Company between 5 June 2006 and 2 January 2007, and the Chief Executive Officer of the Company between 2 January 2007 and 23 January 2009. Mr. Wong re-joined the Company as an Executive Director on 29 February 2016. Mr. Wong obtained a bachelor's degree in Engineering from The University of Hong Kong in 1988, a master's degree in Business Administration from The City University of Hong Kong in 1995 and a master's degree in Science from The Chinese University of Hong Kong in 1998. Prior to joining and re-joining the Company, Mr. Wong had worked for a number of multi-national companies with exposure to different industries and at senior management levels. Mr. Wong will be responsible for supervising the operation of the Company's subsidiary, Zhongshan Tat Chun Printed Circuit Board Company Limited and training its management.

Mr. Chen Jing, aged 52, was an executive Director and the Chairman of the Board between 1 September 2014 and 5 June 2015. Mr. Chen graduated with a bachelor's degree majoring in economics from The Open University of China (previously known as China Central Radio and TV University) (中央廣播電視大學) in 1986. Mr. Chen has more than ten years of experience in banking business with the People's Bank of China. From 1993 to 2006, Mr. Chen was the chief executive officer of Zhuhai Jinshan Group Limited* (珠海金山集團有限公司). From 2007 to 2013, Mr. Chen was the chief executive officer of Jinlaishun Group Company Limited of Shenzhen City* (深圳市金來順集團有限公司) and Shenzhen Financial Alliance Financing Guarantee Company Limited* (深圳市金融聯融資擔保有限公司). Since 2012, Mr. Chen has been the President of Shenzhen Optoelectronics Industry Holdings Group Company Limited* (深圳光電產業控股集團有限公司), the chairman of Shenzhen Semiconductor Lighting Industry Development Association* (深圳市半導體照明產業發展促進會) and the Guangdong Province Director* (廣東省主任) of China Low-carbon Industry Investment Center* (中國低碳產業投資中心). With effect from 5 June 2015, Mr. Chen resigned as an Executive Director and the Chairman of the Board.

Mr. Li Jianchao, aged 52, was an Executive Director and the CEO of the Company between 1 September 2014 and 5 June 2015. Mr. Li graduated from Guangdong University of Finance (formerly Guangdong Banking School). He was an executive director and the chairman of the board of directors of Seamless Green China (Holdings) Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("**GEM**") (stock code: 8150), from April 2013 to June 2014. He has more than 30 years of experience in the finance industry, particularly in business operation and architecture. He has also engaged in credit related work with the Industrial and Commercial Bank of China. Mr. Li has been a deputy managing director of a financial guarantee limited company in Shenzhen since 2011. With effect from 5 June 2015, Mr. Li resigned as an Executive Director and the CEO of the Company.

Mr. Zeng Xiang Di, aged 50, was appointed as an Executive Director of the Company with effect from 29 January 2015 and was appointed as Deputy Chief Executive Officer of the Company with effect from 5 June 2015. Mr. Zeng graduated from Hunan College of Arts and Science* (湖南文理學院). Mr. Zeng worked for the government in the PRC for a decade before he acted as a vice president of a renowned energy and lighting technologies company in Shenzhen. As at the date of this announcement, he has been the chairman of the board of a reputable lighting energy company in the PRC. Mr. Zeng has profound experience in energy management collaborative (EMC) lighting and energy savings projects and LED lighting technology and application as well as large-scale production and development. With effect from 16 November 2015, Mr. Zeng resigned as an executive director and the Deputy CEO of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

EXECUTIVE DIRECTORS *(Continued)*

Mr. Charles Liu Kam Man, aged 64, was appointed as an executive Director of the Company with effect from 1 June 2015. Mr. Liu has over 30 years of experience in the banking industry. Mr. Liu is an executive director of a reputable financial services company. Mr. Liu was the director and head of regional loans and agency for the Asia Pacific Region of an international bank between 2003 and 2008. With effect from 8 October 2015, Mr. Liu resigned as an executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong, aged 44, was appointed as an independent non-executive Director of the Company with effect from 1 June 2015. Mr. Poon received his Bachelor of Economics in University of London in United Kingdom, followed by Master of Practicing Accounting in Monash University in Australia, Master of Business Administration and Master of Professional Accounting and Corporate Governance both in City University of Hong Kong. Mr. Anson Poon is a qualified member of Hong Kong Institute of Company Secretary, a qualified member of Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant (Australia). He is currently an executive director of Petro Asian Energy Holdings Limited, a company which is listed on the Main Board of the Stock Exchange (Stock Code: 850).

Mr. Poon Chi Choy, Sonny, aged 66, was appointed as an independent non-executive Director of the Company with effect from 1 June 2015. Mr. Poon has over 35 years of experience in the accounting and banking industry. Mr. Sonny Poon acted as the Chief Auditor of an international bank from 1998 to 2004 and served the Financial Controller of the same international bank from 1993 to 1998.

Mr. Zhang Xiaofei, aged 48, was appointed as an independent non-executive Director with effect from 16 November 2015. Mr. Zhang obtained a master's degree in computer science from the University of Texas at Dallas in 1998. Mr. Zhang has extensive experience in technology and management consulting.

Mr. Ye Ji Li, aged 51, was appointed as an independent non-executive Director of the Company with effect from 29 February 2016, he has over 15 years' experience in senior management of enterprises in China engaged in various industries including property development, manufacturing, trading, information technology and construction. He obtained a Bachelor of Economics and Management from Guangzhou Open University in 1988.

Dr. Tsang Cheung Fat, aged 50, was appointed as an independent non-executive Director of the Company with effect from 1 June 2015. Dr. Tsang received his Bachelor of Electrical Engineering in Manhattan College in New York, United States of America, followed by Master of Science in Applied Physics and Doctor of Philosophy in Electrical Engineering both from Columbia University, New York, United States of America. Dr. Tsang obtained Master of Business Administration from the City University of Hong Kong. Dr. Tsang has over 10 years of experience in the fund industry. With effect from 16 November 2015, Dr. Tsang resigned as an independent non-executive Director.

Ms. Han Peng, aged 46, was appointed as an independent non-executive Director of the Company with effect from 1 June 2015. Ms. Han obtained her Master of Business Administration from Hong Kong Baptist University. She is currently an executive director of an investment management company in the People's Republic of China. She has over 20 years of experience in the investment management industry. With effect from 8 October 2015, Ms. Han resigned as an independent non-executive Director.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Leung Wah, aged 50, was appointed as an independent non-executive Director of the Company with effect from 1 September 2014. Mr. Leung is a practising member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants. He holds a bachelor's degree in science from the University of Hong Kong. Mr. Leung has extensive experience in finance and accounting including working in international accounting firms. He acted as an independent non-executive director of Seamless Green China (Holdings) Limited on 6 May 2013 and retired as an executive director on 28 May 2014. He is currently an independent non-executive director of Global Energy Resources International Group Limited, a company which is listed on GEM (stock code: 8192). With effect from 5 June 2015, Mr. Leung resigned as an independent non-executive Director of the Company.

Ms. Lai Sze Ngot, aged 37, was appointed as an independent non-executive Director of the Company with effect from 16 October 2014. Ms. Lai is a practising member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. She holds a bachelor's degree in accounting from the Central Queensland University, Australia. Ms. Lai has extensive experience in finance and accounting including working in accounting firms. With effect from 5 June 2015, Ms Lai resigned as an independent non-executive Director of the Company.

Mr. Lo Chi Ko, aged 46, was appointed as an independent non-executive Director of the Company with effect from 29 January 2015. Mr. Lo is an associate member of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and an associate member of the Taxation Institute of Hong Kong. He holds a bachelor's degree in history from the Hong Kong Baptist University, a graduate diploma in accounting from Macquarie University and a master's degree in business administration from the University of Surrey. As a sole proprietor of a local audit firm, Mr. Lo has extensive experience in accounting. With effect from 5 June 2015, Mr. Lo resigned as an independent non-executive Director of the Company.

Mr. Luk Chi Keung, aged 42, was appointed as an independent non-executive Director of the Company with effect from 2 February 2015. Mr. Luk holds a bachelor's degree in business administration. He is currently a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Luk has over 10 years of experience in auditing, finance and accounting. With effect from 5 June 2015, Mr. Luk resigned as an independent non-executive Director of the Company.

SENIOR MANAGEMENT

Mr. Chan Chi Wo, William, aged 55, was appointed as the general manager of TC Hong Kong Electric Company Limited on 5 March 2014. Mr Chan was responsible for the overall management of the factories in the PCB business unit. Mr. Chan has over 30 years of general management experience in the electronics industry. He holds a Bachelor of Business from the Open University of Hong Kong. Mr. Chan resigned on 23 January 2016.

Mr. Chen Changzhi, aged 52, was appointed the Chief Financial Officer of Zhongshan Tat Chun Printed Circuit Board Company Limited, Zhongshan Electric Company Limited and Guang Dong Tat Chun Electric Technology Co., Ltd. on 1 August 2013. Mr. Chen has extensive experience of over 29 years in the accounting and financial field in various companies in China and Hong Kong. He holds a Bachelor of Financial Accounting from Hunan University.

DIRECTORS' REPORT

The directors (the "**Directors**") present their annual report and the audited consolidated financial statements of TC Orient Lighting Holdings Limited (the "**Company**" and together with its subsidiaries collectively referred to as the "**Group**") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company, whose major operating subsidiaries are principally engaged in the manufacturing and trading of light emitting diode (LED) lighting, and single-sided, doubled-sided and multi-layered printed circuit boards (PCBs). The activities of its principal subsidiaries are more particularly set out in note 41 to the consolidated financial statements.

Further discussion and analysis of these activities as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "Company Ordinance"), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2015, and an indication of likely future development in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this Annual Report. The above sections form part of this report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are more particularly set out in the consolidated statement of profit or loss and other comprehensive income on page 46.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 and 2014.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 124.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of financial position on page 48 and note 27 to the consolidated financial statement respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2015 and 2014 were as follows:

	2015 **HK$'000**	2014 HK$'000
Share premium	**517,553**	517,553
Contributed surplus	**145,058**	145,058
Accumulated losses	**(645,839)**	(614,887)
	16,772	47,724

DIRECTORS' REPORT

Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed; the Company will be able to pay its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital and warrants of the Company are set out in note 26 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Chen Yongsen (appointed on 12 August 2015), Chairman (appointed on 16 November 2015)
Mr. Wang Shi Jin (appointed on 29 January 2015), Deputy Chairman (from 5 June 2015 to 16 November 2015) and Chief Executive Officer (appointed on 16 November 2015)
Mr. Zhu Jianqin
Mr. Chen Zheng Xue (appointed as independent non-executive Director on 16 October 2014 and re-designated as executive Director on 29 January 2015)
Ms. Shi Qiu Yu (appointed as non-executive Director on 16 October 2014 and re-designated as executive Director on 29 January 2015)
Mr. Chen Hua (appointed on 29 February 2016)
Mr. Wong Wing Choi (appointed on 29 February 2016)
Mr. Chen Jing, Chairman (resigned on 5 June 2015)
Mr. Li Jianchao, Chief Executive Officer (resigned on 5 June 2015)
Mr. Zeng Xiang Di (appointed on 29 January 2015 and resigned on 16 November 2015), Deputy Chief Executive Officer (from 5 June 2015 to 16 November 2015)
Mr. Charles Liu Kam Man (appointed on 1 June 2015 and resigned on 8 October 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong (appointed on 1 June 2015)
Mr. Poon Chi-Choy, Sonny (appointed on 1 June 2015)
Mr. Zhang Xiaofei (appointed on 16 November 2015)
Mr. Ye Ji Li (appointed on 29 February 2016)
Dr. Tsang Cheung Fat (appointed on 1 June 2015 and resigned on 16 November 2015)
Ms. Han Pang (appointed on 1 June 2015 and resigned on 8 October 2015)
Mr. Leung Wah (resigned on 5 June 2015)
Ms. Lai Sze Ngot (resigned on 5 June 2015)
Mr. Lo Chi Ko (appointed on 29 January 2015 and resigned on 5 June 2015)
Mr. Luk Chi Keung (appointed on 2 February 2015 and resigned on 5 June 2015)

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

No director to be proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

SHARE OPTION SCHEME

On 5 June 2006, a share option scheme (the "**Share Option Scheme**") was adopted. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Company or the Group and to promote the success of the business of the Group. The directors of the Company may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Company or the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares). On 31 May 2013, a resolution was passed on the AGM for the approval of refreshing the 10% mandate under the Share Option Scheme (the "**Refreshed Scheme Mandate**") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 31 May 2013 (options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of the grant of options is HK$1. The exercise price is determined by the board of directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

DIRECTORS' REPORT

SHARE OPTION SCHEME *(Continued)*

Details of movements in the share options of the Company are as follows:

Grantee	Date of grant	Exercise price per share HK$	Outstanding at 1 January 2015 '000	Granted during the year '000	Reclassification '000	Exercised during the year '000	Lapsed/ Forfeited during the year '000	Outstanding at 31 December 2015 '000	Exercisable period
Directors:									
Yeung Hoi Shan	22 October 2014	1.25	3,900	–	(3,900)	–	–	–	(Note 4)
Zhu Jianqin	29 September 2009	1.07	600	–	–	–	(600)	–	(Note 1)
	2 September 2011	2.11	2,300	–	–	–	–	2,300	(Note 3)
	22 October 2014	1.25	1,300	–	–	–	–	1,300	(Note 4)
Chen Jing	22 October 2014	1.25	3,900	–	–	–	(3,900)	–	(Note 4)
Li Jianchao	22 October 2014	1.25	4,423	–	–	–	(4,423)	–	(Note 4)
Shi Qiu Yu	22 October 2014	1.25	4,423	–	–	–	–	4,423	(Note 4)
Leung Wah	22 October 2014	1.25	440	–	–	–	(440)	–	(Note 4)
Lai Sze Ngot	22 October 2014	1.25	440	–	–	–	(440)	–	(Note 4)
Chen Zheng Xue	22 October 2014	1.25	440	–	–	–	–	440	(Note 4)
Subtotal			22,166	–	(3,900)	–	(9,803)	8,463	
Consultant	29 September 2009	1.07	600	–	–	–	(600)	–	(Note 1)
	29 November 2010	3.39	1,300	–	–	–	–	1,300	(Note 2)
	22 October 2014	1.25	8,261	–	3,900	–	(1,320)	10,841	(Note 4)
Subtotal			10,161	–	3,900	–	(1,920)	12,141	
Employee	02 September 2011	2.11	2,000	–	–	–	–	2,000	(Note 3)
	22 October 2014	1.25	16,483	–	–	–	(12,896)	3,587	(Note 4)
Subtotal			18,483	–	–	–	(12,896)	5,587	
Total			50,810	–	–	–	(24,619)	26,191	

DIRECTORS' REPORT

SHARE OPTION SCHEME *(Continued)*

Note 1: 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 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 10th year after the date of grant.

Note 3: 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 4: Options are exercisable on or after 22 October 2014. The options will be expired in the 10th year after the date of grant

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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 the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 36 to the consolidated financial statements, no contracts of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

CONTINUING CONNECTED TRANSACTIONS

Set out below is information in relation to continuing connected transactions which were disclosed in the Company's announcements and are required under Chapter 14A of the Listing Rules to be included in this annual report:

During the process of the preparation of the financial statements of the Group for the year ended 31 December 2015 and the annual audit, the Company was informed by the management of TC Orient Lighting (Shenzhen) Limited (達進東方照明（深圳）有限公司) ("**TC Shenzhen**") (a 70% owned subsidiary of the Company) that a loan agreement for the sum of RMB3,000,000 (HK$3,571,000) (the "**Loan Agreement**") was entered into on 1 March 2015 by TC Shenzhen with Chen Jing, a connected person of the Company at the relevant time, which constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTION

The independent non-executive Directors of the Company have reviewed the terms of the Loan Agreement and the transaction documents relating to the performance of the Loan Agreement, and have come to the view that the transactions underlying the Loan Agreement (a) were not conducted on normal commercial terms or better to the Company as the interest rate was lower than what could have been obtained by the Group from banks in the PRC for RMB-denominated loans and no asset collaterals were provided by Chen Jing to secure repayment of the Loan; and (b) were not conducted in the Group's ordinary and usual course of business as the Group is not engaged in lending business.

Apart from Mr. Zhu Jianqin (a director of the Company and TC Shenzhen), none of the other Directors was aware of the Loan when it was entered into in March 2015. The Directors have enquired with Mr. Zhu as to why the Loan was not submitted to the Board for approval before signing in March 2015, such that the Board was given the chance to veto the transaction and to ensure Listing Rules compliance at the relevant time. According to Mr. Zhu, the management of TC Shenzhen were at the relevant time under a misunderstanding that TC Shenzhen, as a non-wholly owned subsidiary of the Company, should be permitted under the Listing Rules to conduct transactions with connected persons which were under the value of 3,000,000 dollars, and that the Group could benefit from the interest income of the Loan. Following the internal control and corporate governance training conducted in November 2015, the entire Board and TC Shenzhen's management now correctly understand (a) that the de minimis threshold for connected transactions under the Listing Rules should be HK$3,000,000 (not RMB3,000,000); (b) the proper calculation methodology of the size tests; and (c) the new rules imposed by the newly-adopted internal control procedures which prohibits and restricts the grant of financial assistance by any Group entity to third parties (including connected persons).

Following the revelation of the Incidents arising from the Financing Transactions (as such terms are defined in the Company's announcements since 30 April 2015), the Company has on 5 November 2015 established the Compliance Committee to oversee matters of the Group relating to regulatory and compliance, internal control and corporate governance requirements, and on 16 November 2015 arranged for directors' training to all members of the Board to keep them abreast of the compliance rules and regulations applicable to listed companies in Hong Kong. The Company has further conducted training with key management of the Group to familiarize them with the new internal control procedures in December 2015. In April 2016, the Group recruited a full-time compliance officer to take up the overall responsibilities and functions of the Group in relation to our financial reporting procedures, compliance, corporate governance, internal control systems and directors' training, and a full-time internal auditor to monitor and ensure compliance of financial reporting and internal control procedures of the Group. In the light of the above measures, the Company is of the view that similar non-compliance is unlikely to re-occur in the future.

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests or short positions of the directors and chief executives and their associates in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("**SFO**"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

INTERESTS IN SHARES:

Name of Directors	Capacity	Number of shares held (Long position)	Percentage of issued share capital
Wang Shi Jin (Note 1)	Other	128,262,303	24.17%
Zhu Jianqin	Beneficial owner	3,801,803	0.72%
Chen Hua	Corporate Interest (Note 2)	108,000,000	20.35%

Note 1: Based on the information provided by Mr. Wang Shi Jin, on 20 May 2015, he obtained a stop notice from the High Court of Hong Kong (HCSN 5 of 2015) to stop the transfer of 128,262,303 shares of and in the Company (the "**Restrained Shares**"), those Restrained Shares being registered in the name of Propitious Group Limited.

Note 2: Based on the disclosure of interest ("**DI**") filings made by the relevant person, these 108,000,000 Shares were held by Able Turbo Enterprises Limited ("**Able Turbo**"), which is a company 60.31% owned by Mr. Chen Hua (a director of the company since 29 February 2015) and 39.69% owned by Mr. Li Xianggen.

INTERESTS IN UNDERLYING SHARES PURSUANT TO SHARE OPTIONS:

Names of Directors	Capacity	Date of grant	Exercise price per share	Number of share options granted (Long position)
			HK$	
Shi Qiu Yu	Beneficial owner	22 October 2014	1.25	4,422,838
Zhu Jianqin	Beneficial owner	2 September 2011	2.11	2,300,000
	Beneficial owner	22 October 2014	1.25	1,300,000
Chen Zheng Xue	Beneficial owner	22 October 2014	1.25	440,000

Other than disclosed above, none of the directors and chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2015.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the following person (other than a director or Chief Executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

INTEREST IN SHARES:

Name of Shareholders	Capacity	Number of shares held (Long position)	Percentage of issued share capital
Propitious Group Limited (Note 1)	Beneficial Owner	128,262,303	24.17%
Chen Jing (Note 1)	Beneficial owner and interest in controlled corporation	132,162,303	24.90%
Able Turbo Enterprises Limited (Note 2)	Beneficial owner	108,000,000	20.35%
Li Xianggen (Note 3)	Interest in controlled corporation	108,000,000	20.35%

Note 1: Based on the disclosure of interest ("**DI**") filing made by the relevant person(s), Chen Jing was interested in 132,162,303 shares, comprising (a) 128,262,303 shares held by his controlled corporation, Propitious Group Limited ("**PGL**") (100% owned by Chen Jing); and (b) 3,900,000 share options held by him personally.

Chen Jing was an ex-director and the ex-Chairman of the Company who resigned on 5 June 2015. According to the terms of the Company's employee share option scheme adopted on 5 June 2006, the 3,900,000 share options held by Chen Jing should have lapsed on 5 September 2015. In addition, based on the information provided by Mr. Chen Hua, PGL should have disposed of all its 128,262,303 shares in July 2015, as the 108,000,000 shares held by Able Turbo were purportedly the same block of shares previously owned by PGL. However, up to the date of this report, the Company did not notice any DI filings made by the relevant person(s) to reflect these possible changes. The Company is unable to verify the above possible changes with either Chen Jing or PGL.

Note 2: Based on the DI filing made by the relevant person, Able Turbo Enterprises Limited is a company 60.31% owned by Mr. Chen Hua and 39.69% owned by Mr. Li Xianggen.

Note 3: Based on the DI filing made by the relevant person, these 108,000,000 Shares were held by Able Turbo Enterprise Limited, which is a company 60.31% owned by Mr. Chen Hua and 39.69% owned by Mr. Li Xianggen.

Other than disclosed above, as at 31 December 2015, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' REPORT

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Because of the delay in publication of this Annual Report and the changes in directorship whether during the year ended 31 December 2015 and for the subsequent period up to the date of publication of this Annual Report, the Company is no longer in the position to obtain confirmations from all resigned independent non-executive Directors as to their independence pursuant to Rule 3.13 of the Listing Rules. Having made specific enquiry with Mr. Chen Zheng Xue, Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, Mr. Zhang Xiaofei, Mr.Ye Ji Li, Dr. Tsang Cheung Fat, Mr. Leung Wah, Mr. Lo Chi Ko and Ms. Lai Sze Ngot, each of them confirmed that he/she is independent within the definition of Rule 3.13 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of its own listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 9.4% to the total sales for the year. The Group's five largest customers accounted for 36.5% of the Group's total turnover for the year.

The Group's largest supplier contributed 24.8% to the total purchases for the year. The Group's five largest suppliers accounted for 55.3% of the total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest supplier or customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2015.

AUDIT COMMITTEE

As at 31 December 2015 and as of the date of this Annual Report, the AC comprises of three independent non-executive Directors, namely, Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny and Mr. Zhang Xiaofei. One out of three AC members, Mr. Anson Poon Wai Kong possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. As at 31 December 2015 and as of the date of this Annual Report, Mr. Anson Poon Wai Kong was and is the chairman of AC.

No former partner of the Company's existing auditing firm acted as a member of the AC within one year from ceasing to be a partner or having any financial interest in the auditing firm.

The AC was delegated with the authority of the Board of the Company to investigate any activity within its terms of reference.

DIRECTORS' REPORT

AUDIT COMMITTEE *(Continued)*

The primary function of the AC is to review and supervise the Group's financial reporting process and internal controls. The AC has also reviewed arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions. The full terms of reference of the AC are available on the Company's website: www.tatchun.com and the website of the Stock Exchange: www.hkexnews.hk.

The Group's audited financial statements for the year ended 31 December 2015 have been reviewed by the audit committee, which is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications, and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

DONATION

During the year, the Group made charitable and other donations amounting to Nil.

AUDITOR

A resolution will be submitted to the upcoming AGM of the Company to re-appoint Messrs. HLB Hodgson Impey Cheng Limited as the auditor of the Company.

BANK BORROWINGS

Bank borrowings of the Company at 31 December 2015 and 2014 are set out in the consolidated statement of financial position on page 47 and note 23 to the consolidated financial statements respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company follows the Model Code as the code of conduct for Directors in their dealings in the Company's securities. Further details of the Model Code are set out in the Corporate Governance Report on page 8 of this Annual Report.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 5 to 18 of this Annual Report.

DIRECTORS' REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creating a sustainable return to the Group.

WORKING CONDITIONS

The Company adopted the Board diversity policy in accordance with the requirement set out in the CG Code. The Company recognizes that the Board diversity is an essential element contributing to the sustainable development of the Company. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to the skills, knowledge, gender, age, cultural and educational background or professional experience. A Board Diversity Policy, with the aim of enhancing the quality of the Board's performance by diversity, was adopted in August 2013.

The Group encourages its staff to participate in external seminars and lectures to keep abreast of changes and updates on areas of legal, compliance, financial accounting and reporting, and market industry practices. Through these types of training, we believe that the Group can increase its efficiency and productivity while overall reduction of risk and uncertainties of the Group can be reduced.

The Company encourages continuous professional development training for the Directors and senior management to develop and refresh their knowledge and skills which includes seminars and workshops, updates on regulatory requirements and development and corporate governance practices.

HEALTH AND SAFETY

The Group strives to provide a healthy and safe working environment to the employees. In order to maintain a healthy and safe working environment, the Group has upgraded and maintained tools, office and IT equipment.

ENVIRONMENT PROTECTION

Conservation of the environment is a key focus for the Group. The Group complies with environmental legislation, encourages environmental protection and promotes environmental protection awareness to all employees of the Group.

COMMUNITY INVOLVEMENT

The Group is committed to participating in community events from time to time, and to the improvement of community well-being and social services. The Group supports and encourages staff to actively participate in a wide range of charitable events outside working hours, to raise awareness and concern for the community, and to inspire more people to take part in serving the community.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements.

As far as the Company is aware, save as already disclosed in the Company's announcements, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

DIRECTORS' REPORT

INDEMNITY OF DIRECTORS

A permitted indemnity provision that provides for indemnity against liability incurred by directors and chief executives of the Group is currently in force and was in force throughout the year ended 31 December 2015.

On behalf of the Board

Chen Yongsen
Chairman

Hong Kong
15 April 2016

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF 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)

We have audited the consolidated financial statements of TC Orient Lighting Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 46 to 123, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex

Practicing Certificate Number: P05029

Hong Kong, 15 April 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Turnover	5	**533,608**	705,921
Cost of sales		**(493,325)**	(653,520)
Gross profit		**40,283**	52,401
Other income	6	**24,520**	35,247
Other gains and losses	7	**(281)**	(36,849)
Selling and distribution expenses		**(31,287)**	(41,400)
Administrative expenses		**(106,029)**	(113,342)
Finance costs	8	**(11,203)**	(9,120)
Loss before tax		**(83,997)**	(113,063)
Income tax expense	9	**(434)**	(3,356)
Loss for the year	10	**(84,431)**	(116,419)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Deficit on revaluation of properties		**(8,334)**	(37,733)
Deferred tax assets arising from revaluation of properties		**2,084**	9,433
		(6,250)	(28,300)
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(5,503)**	419
Other comprehensive expense for the year		**(11,753)**	(27,881)
Total comprehensive expense for the year		**(96,184)**	(144,300)
Loss for the year attributable to:			
Owners of the Company		**(81,225)**	(111,872)
Non-controlling interests		**(3,206)**	(4,547)
		(84,431)	(116,419)
Total comprehensive expense attributable to:			
Owners of the Company		**(92,640)**	(139,890)
Non-controlling interests		**(3,544)**	(4,410)
		(96,184)	(144,300)
Loss per share			
Basic and diluted	14	**(HK$0.15)**	(HK$0.25)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	16	**211,111**	245,750
Prepaid lease payments — non-current portion	17	**18,844**	19,459
Interests in associates	18	**12,500**	–
Trade receivables with extended credit terms	20(a)	**50,055**	77,281
Deposits paid for acquisition of property, plant and equipment		**126**	600
		292,636	343,090
Current assets			
Inventories	19	**54,025**	76,247
Prepaid lease payments — current portion	17	**615**	615
Trade and other receivables	20(a)	**485,376**	426,039
Bills receivable	20(b)	**2,752**	5,833
Pledged bank deposits	21	**85,737**	105,936
Bank balances, deposits and cash	21	**43,789**	167,319
		672,294	781,989
Assets classified as held for sale	15	**15,280**	16,044
		687,574	798,033
Current liabilities			
Trade and other payables	22(a)	**344,945**	313,203
Bills payable	22(b)	**135,146**	117,288
Taxation payable		**75,712**	78,927
Bank borrowings — due within one year	23	**121,657**	230,293
Obligations under finance leases — due within one year	24	**298**	394
		677,758	740,105
Net current assets		**9,816**	57,928
Total assets less current liabilities		**302,452**	401,018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	**2015 HK$'000**	2014 HK$'000
Non-current liabilities			
Obligation under finance leases — due after one year	24	**225**	523
Deferred taxation	25	**16,732**	18,816
		16,957	19,339
Net assets		**285,495**	381,679
Capital and reserves			
Share capital	26	**53,074**	53,074
Reserves	27	**227,498**	320,138
Equity attributable to owners of the Company		**280,572**	373,212
Non-controlling interests		**4,923**	8,467
Total equity		**285,495**	381,679

The consolidated financial statements on pages 46 to 123 were approved and authorised for issue by the Board of Directors on 15 April 2016 and are signed on its behalf by:

Chen Yongsen
Director

Chen Hua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (note 27)	Property revaluation reserve HK$'000	The People's Republic of China (the "PRC") statutory reserve HK$'000 (note 27)	Special reserve HK$'000 (note 27)	Share option reserve HK$'000	Capital contribution reserve HK$'000 (note 27)	Exchange reserve HK$'000	Accumulated (losses)/ profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	44,228	438,042	470	82,832	15,003	1,156	12,389	1,893	15,497	(218,909)	392,601	12,877	405,478
Loss for the year	–	–	–	–	–	–	–	–	–	(111,872)	(111,872)	(4,547)	(116,419)
Exchange differences arising on translation	–	–	–	–	–	–	–	–	282	–	282	137	419
Deficit on revaluation of properties	–	–	–	(37,733)	–	–	–	–	–	–	(37,733)	–	(37,733)
Deferred tax assets arising from revaluation of properties	–	–	–	9,433	–	–	–	–	–	–	9,433	–	9,433
Total comprehensive income/(expense) for the year	–	–	–	(28,300)	–	–	–	–	282	(111,872)	(139,890)	(4,410)	(144,300)
Issue of shares upon placing, net	8,846	79,511	–	–	–	–	–	–	–	–	88,357	–	88,357
Release upon lapse of share options	–	–	–	–	–	–	(480)	–	–	480	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	32,144	–	–	–	32,144	–	32,144
Subtotal	8,846	79,511	–	–	–	–	31,664	–	–	480	120,501	–	120,501
At 31 December 2014 and 1 January 2015	53,074	517,553	470	54,532	15,003	1,156	44,053	1,893	15,779	(330,301)	373,212	8,467	381,679
Loss for the year	–	–	–	–	–	–	–	–	–	(81,225)	(81,225)	(3,206)	(84,431)
Exchange differences arising on translation	–	–	–	–	–	–	–	–	(5,165)	–	(5,165)	(338)	(5,503)
Deficit on revaluation of properties	–	–	–	(8,334)	–	–	–	–	–	–	(8,334)	–	(8,334)
Deferred tax assets arising from revaluation of properties	–	–	–	2,084	–	–	–	–	–	–	2,084	–	2,084
Total comprehensive expense for the year	–	–	–	(6,250)	–	–	–	–	(5,165)	(81,225)	(92,640)	(3,544)	(96,184)
Release upon lapse of share option	–	–	–	–	–	–	(17,400)	–	–	17,400	–	–	–
Subtotal	–	–	–	–	–	–	–	–	–	–	–	–	–
At 31 December 2015	53,074	517,553	470	48,282	15,003	1,156	26,653	1,893	10,614	(394,126)	280,572	4,923	285,495

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(83,997)**	(113,063)
Adjustments for:		
Depreciation of property, plant and equipment	**27,290**	29,221
Interest expenses	**11,203**	9,120
Loss on disposal/written off of property, plant and equipment	**695**	1,042
Impairment loss recognised on property, plant and equipment	**–**	7,201
Impairment loss of interest in an associate	**–**	2
Written off/impairment loss recognised on trade and other receivables	**–**	9,076
Imputed interest on trade receivables with extended credit terms	**(5,258)**	(8,465)
Interest income	**(2,121)**	(3,130)
Amortisation of prepaid lease payments	**615**	615
Reversal of impairment loss previously recognised for trade receivables	**(338)**	(592)
Share-based payment expenses	**–**	32,144
Operating cash flow before movements in working capital	**(51,911)**	(36,829)
Decrease/(increase) in inventories	**21,690**	(11,659)
(Increase)/decrease in trade and other receivables	**(44,791)**	27,277
Decrease/(increase) in bills receivable	**3,021**	(4,083)
Increase in trade and other payables	**43,734**	16,050
Increase/(decrease) in bills payable	**17,858**	(22,072)
Cash used in operations	**(10,399)**	(31,316)
PRC Enterprise Income Tax paid	**(2,162)**	(1,153)
NET CASH USED IN OPERATING ACTIVITIES	**(12,561)**	(32,469)
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**125,719**	169,953
Interest received	**2,121**	3,130
Proceeds from disposal of property, plant and equipment	**495**	513
Placement of pledged bank deposits	**(109,800)**	(241,182)
Deposits paid for acquisition of property, plant and equipment	**(126)**	(58)
Purchase of property, plant and equipment	**(1,821)**	(9,308)
Investment in an associate	**(12,500)**	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**4,088**	(76,952)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(323,268)**	(307,556)
Interest paid	**(11,203)**	(9,723)
Repayment of obligation under finance leases	**(394)**	(2,937)
Bank borrowings raised	**219,837**	399,407
Proceeds from issue of shares, net	**–**	88,357
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(115,028)**	167,548
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(123,501)**	58,127
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**167,319**	108,773
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(29)**	419
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, Represented by bank balances, deposits and cash	**43,789**	167,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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. Chen Jing ("**Mr. Chen**") is the substantial shareholder and director of the Company and resigned on 5 June 2015. 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 Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to nearest thousand except otherwise indicated.

1.1 THE FINANCING TRANSACTIONS AND INDEPENDENT FORENSIC INVESTIGATION REPORT

(i) On 23 April 2015, the Board of Directors of the Company received a court order issued on 17 April 2015 (the "**PRC Court Order**") by the court of Bao An District, Shenzhen City, Guangdong province, the People's Republic of China. The PRC Court Order was a pre-trial asset-preserving injunction granted by the Bao An Court upon the application of Huang Shuidi (being one of the Lenders) in relation to certain alleged loan transactions (the "**Court Order Related Loans**") between Huang Shuidi, Shenzhen Optoelectronic Industry Holdings Group Company Limited (深圳光電產業控股集團有限公司) ("**Shenzhen Optoelectronic**"), Chen Jing, Zhongshan Tat Chun Printed Circuit Board Company Limited (a wholly-owned subsidiary of the Company) ("**Zhongshan Tat Chun**") and Shenzhen City Jin Lai Shun Group Company Limited (深圳市金來順集團有限公司) ("**Jin Lai Shun**"), to restrain various parties including Zhongshan Tat Chun from disposing of its assets in the total amount of RMB12,340,000 (HK$14,518,000).

(ii) On 27 April 2015, Tat Chun PCB International Company Limited (a wholly-owned subsidiary of the Company ("**Tat Chun PCB**") received a demand letter dated 21 April 2015 (the "**Demand Letter**"). The Demand Letter was received by Tat Chun PCB from a solicitors firm acting for the lenders (i.e. Huang Shuidi, Wu Qianhong and Huang Guihua) (the "Lenders"), alleging that Zhongshan Tat Chun had provided seven Guarantees to secure the repayment of certain loans granted by the Lenders to Chen Jing and Shenzhen Optoelectronic (the "**Guarantee Related Loans**") in the total amount of RMB39,048,000 (HK$45,939,000), comprising loan principal of RMB31,000,000 (HK$36,471,000) and accrued interest of RMB8,048,000 (HK$9,468,000).

(iii) The Demand Letter also alleged that Tat Chun PCB jointly and severally with the Company executed an indemnity dated 11 April 2015 in favour of the Lenders and Mr. Chen Guiyang (the "**Indemnity**") pursuant to which Tat Chun PCB and the Company purportedly covenanted to pay to the Lenders and Chen Guiyang debts owed to them by Chen Jing and Shenzhen Optoelectronic in the total amount of RMB77,720,000 (HK$91,435,000) (the "**Indemnity Related Loans**"), comprising loan principal of RMB60,700,000 (HK$71,412,000) and accrued interest of RMB17,020,000 (HK$20,024,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL *(Continued)*

1.1 THE FINANCING TRANSACTIONS AND INDEPENDENT FORENSIC INVESTIGATION REPORT *(Continued)*

(iv) Information on the Financing Transactions, which were revealed by the Company and the Investigation Committee after conducting further work of findings on the Financing Transactions are as follows:

(1) Based on the allegations of the Lenders, there were seven purported guarantees and seven corresponding loans purportedly guaranteed by Zhongshan Tat Chun under the guarantees. Details of the seven guarantee related loans are as follows:

	Date of loan agreement	Date of purported Guarantee	Lender	Borrower	Maturity	Principal (RMB)	Accrued interest (RMB) (Note a)
Loan A	10 October 2013 (Note b)	10 October 2013	Wu Qianhong	Chen Jing	9 October 2014	4,000,000	2,192,000
Loan B	29 July 2014	3 January 2015	Huang Guihua	Shenzhen Optoelectronic	28 July 2015	1,500,000	384,000
Loan C	20 August 2014	3 January 2015	Huang Shuidi	Shenzhen Optoelectronic	Not specified	10,000,000	2,340,000
Loan D	5 September 2014	3 January 2015	Huang Shuidi	Shenzhen Optoelectronic	Not specified	4,000,000	872,000
Loan E	11 September 2014	3 January 2015	Huang Shuidi	Shenzhen Optoelectronic	Not specified	3,500,000	742,000
Loan F	23 September 2014	3 January 2015	Huang Shuidi	Shenzhen Optoelectronic	Not specified	6,000,000	1,200,000
Loan G	3 November 2014	3 January 2015	Huang Shuidi	Shenzhen Optoelectronic	Not specified	2,000,000	318,000
					Total:	31,000,000	8,048,000

Notes:

(a) Accrued interest refers to the interest accrued up to 11 April 2015 as alleged by the Lenders in the Demand Letter, based on the assumption that interest was charged at the rate of 3% per month as alleged by the Lenders.

(b) The loan agreement relating to Loan A provided by the Lenders purports to be dated 10 October 2014, which is suspected to be a typographical error for 10 October 2013, as the loan agreement specified the loan period was from 10 October 2013 to 9 October 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL *(Continued)*

1.1 THE FINANCING TRANSACTIONS AND INDEPENDENT FORENSIC INVESTIGATION REPORT *(Continued)*

(iv) Information on the Financing Transactions, which were revealed by the Company and the Investigation Committee after conducting further work of findings on the Financing Transactions are as follows: *(Continued)*

(2) Based on the findings of the Company and the Investigation Committee, the guarantee related loans appear to refer to Loan C as stated above. Therefore, the guarantee related loans appear to have already included the Court Order Related Loans.

(3) Based on the allegations of the Lenders, there were twelve loans purportedly indemnified by the Company and Tat Chun PCB, comprising (1) the seven Guarantee Related Loans (i.e. Loans A to G above); and (2) five other loans owed by Chen Jing and Shenzhen Optoelectronic to the Lenders and Chen Guiyang (the "**Indemnity Related Additional Loans**") in the total amount of RMB38,672,000 (HK$45,496,000) comprising loan principal of RMB29,700,000 (HK$34,941,000) and accrued interest of RMB8,972,000 (HK$10,555,000). Details of the five Indemnity Related Additional Loans are as follows:

	Date of purported advance of loan (Note b)	Date of purported Indemnity	Lender	Borrower	Principal (RMB)	Accrued interest (RMB) (Note a)
Loan H	22 May 2014	11 April 2015	Chen Guiyang	Chen Jing and Shenzhen Optoelectronic	18,000,000	5,832,000
Loan I	30 June 2014	11 April 2015	Chen Guiyang	Chen Jing and Shenzhen Optoelectronic	7,000,000	1,995,000
Loan J	1 May 2014	11 April 2015	Chen Guiyang	Chen Jing and Shenzhen Optoelectronic	2,000,000	684,000
Loan K	19 October 2014	11 April 2015	Huang Shuidi	Chen Jing and Shenzhen Optoelectronic	400,000	70,000
Loan L	23 October 2014	11 April 2015	Huang Shuidi	Chen Jing and Shenzhen Optoelectronic	2,300,000	391,000
				Total:	29,700,000	8,972,000

Notes:

(a) Accrued interest refers to the interest accrued up to 11 April 2015 as alleged in the copy of the Indemnity provided by the Lenders. The Indemnity only refers to the total accrued interest of Loan A to Loan L, and the breakdown of the alleged accrued interest of Loan H to Loan L, individually, was calculated by the Company for reference only, based on the assumption that interest was charged at the rate of 3% per month as alleged by the Lenders.

(b) The Company has not been provided with any copy of the loan agreements in respect of Loan H, Loan I, Loan J, Loan K and Loan L, and the details about these loans (including the purported dates of advance of these loans) were merely stated in the copy of the Indemnity provided by the Lenders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL *(Continued)*

1.1 THE FINANCING TRANSACTIONS AND INDEPENDENT FORENSIC INVESTIGATION REPORT *(Continued)*

(iv) Information on the Financing Transactions, which were revealed by the Company and the Investigation Committee after conducting further work of findings on the Financing Transactions are as follows: *(Continued)*

(4) Based on the findings of the Company and the Investigation Committee, the Indemnity Related Loans appear to have already included the Guarantee Related Loans.

(v) As part of the resumption conditions, on 22 August 2015, the Company engaged FTI as our independent forensic specialist to conduct a forensic investigation on the Incidents arising from the Financing Transactions, the Court Order affecting Zhongshan Tat Chun and the Demand Letter from the Lenders and to assess the impact on the Company's financial and operational position.

FTI has issued the final forensic investigation report (the "**FTI Report**"). A summary of the FTI Report in relation to the work involved in the investigation, the key findings and the recommendations of FTI is set out below.

FTI has performed the following investigation work in relation to the Financing Transactions:

(1) reviewing the documents relating to the Guarantees and the Indemnity, the correspondence with the Lenders and their legal advisers, legal opinion obtained by the Company in respect of the Incidents, and the Company's books and records;

(2) conducting interviews with certain directors of the Company and certain management of Zhongshan Tat Chun to understand the circumstances leading to the Incidents, and the procedures and workflow relating to, and the persons involved in, the execution of the Financing Transactions;

(3) conducting a forensic review on computers and electronic records and data that are relevant to the investigations on the Incidents and to identify any other unidentified guarantees and undertakings given by the Group;

(4) liaising with various banks in Hong Kong and China which have business relationships with the Group (the "**Relationship Banks**") to confirm the details of guarantees and indemnity (if any) provided by the Company, Tat Chun PCB and Zhongshan Tat Chun;

(5) conducting public record searches on parties which are relevant to the Incidents; and

(6) conducting a walk-through test of the usual procedures of the Group for the use of chops and seals and the grant of guarantees or indemnities in favour of third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL *(Continued)*

1.1 THE FINANCING TRANSACTIONS AND INDEPENDENT FORENSIC INVESTIGATION REPORT *(Continued)*

(v) (continued)

The key findings of FTI's investigations are summarised as follows:

(1) The alleged underlying debts under the Guarantees and the Indemnity were loans borrowed from the Lenders by Mr. Chen Jing (ex-Chairman and Director of the Company) and Shenzhen Optoelectronic, a limited liability company established in the People's Republic of China (the "**PRC**").

(2) Based on publicly-available information obtained by FTI, Shenzhen Optoelectronic is 40% owned by Jin Lai Shun, a limited liability company established in the PRC, which is in turn 62% owned by Mr. Chen Jing.

(3) The Guarantees purportedly provided by Zhongshan Tat Chun and the Indemnity purportedly given by Tat Chun PCB were not duly considered or approved by the Board, Tat Chun PCB or Zhongshan Tat Chun. Based on the findings of FTI, two individuals were found to have been involved in the execution of the Guarantees and the Indemnity, namely Mr. Chen Jing and Mr. Li Jiaxiong (former legal representative of Zhongshan Tat Chun and nephew of Mr. Chen Jing). It was admitted by Mr. Chen Jing and Mr. Li Jiaxiong that they have signed the Guarantees and the Indemnity purportedly for and on behalf of the Company, Tat Chun PCB and Zhongshan Tat Chun without obtaining the consent of their respective boards of directors.

(4) The Company, Tat Chun PCB and Zhongshan Tat Chun had no internal control policy or procedure governing the granting of guarantee or indemnity in favour of third parties. Zhongshan Tat Chun did put in place internal control procedures governing the usage of the company chops, but Mr. Chen Jing and Mr. Li Jiaxiong did not follow such procedures in executing the Guarantees. The walk-through test conducted by FTI also revealed that the application forms for the use of the company chops of Zhongshan Tat Chun were not properly signed by the designated management.

(5) Without admitting liability on the part of the Company, Zhongshan Tat Chun or Tat Chun PCB and assuming (without admitting or concurring) the accuracy and genuineness of the allegations of the Lenders, the total liability exposure of the Group under the Incidents arising from the Financing Transactions, the Court Order and the Demand Letter is equivalent to the total amount of the loan principal and accrued interest purportedly indemnified by Tat Chun PCB and the Company under the Indemnity as disclosed in the Company's announcement dated 30 April 2015, i.e. RMB77,720,000 (HK$91,435,000) as of 11 April 2015, plus any additional interest and costs and ancillary remedies which may be awarded by any relevant judicial authorities.

(6) No other unauthorized guarantee or indemnity of the Group was identified. The Incidents and the Financing Transactions appear to be an isolated event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL *(Continued)*

1.1 THE FINANCING TRANSACTIONS AND INDEPENDENT FORENSIC INVESTIGATION REPORT *(Continued)*

(v) (continued)

(7) Despite the deficiencies of the internal control procedures of the Group and the above findings, it would appear that the Incidents have no impact on the financial and operational position of the Group, because the Group was fully discharged and released from the Court Order, the First Petition and the Second Petition, as disclosed in the Company's announcements dated 18 and 31 August 2015. However, the continued suspension of trading of the Company's shares ("**Shares**") may cause concern about the prospects of the Group and may adversely impact on the Group's operations.

(vi) In light of the deficiencies in the Company's existing internal control policies and procedures as identified by FTI in the forensic investigation, FTI made the following recommendations to the Group:

(1) The Company should put in place new internal control policies and procedures for the entire Group (the "**New IC Procedures**"), which shall be documented in writing, approved by the board of directors of the Company (the "**Board**") and circulated to all staff members of the Group.

(2) The New IC Procedures should strengthen the internal control over the safekeeping, use and approval for use of company chops of the Group.

(3) New IC Procedures should put in place restrictions on the grant of guarantee or indemnity by any entity of the Group in favour of third parties and, in particular, connected persons of the Company.

(4) The New IC Procedures should require that all significant matters and important decisions made by the Company's subsidiaries should be properly documented and reported to the Company's management in a timely manner. Where appropriate or necessary, affairs of the Company's subsidiaries should be brought to the attention of the Board and external legal advisers should be consulted.

(5) Internal auditor should be engaged to ensure compliance of internal control procedures by the Group's staff.

(6) Registers of computers for both current and departed staff members of the Group should be maintained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL *(Continued)*

1.1 THE FINANCING TRANSACTIONS AND INDEPENDENT FORENSIC INVESTIGATION REPORT *(Continued)*

(vii) The Board and the Investigation Committee have reviewed and considered FTI's findings and recommendations as set out in the FTI Report. The Board and the Investigation Committee have further considered RSM's recommendations on the Group's financial reporting procedures and internal control systems. After considering the above, the Board and the Investigation Committee have resolved to adopt all the findings and recommendations of FTI and RSM, including taking the following remedial measures:

(1) On 5 November 2015, the Board has adopted a comprehensive set of New IC Procedures which not only cover the usage of chops and grant of guarantees and indemnities but also policies regarding: (a) investment decisions; (b) handover of work on change of key personnel; (c) risk assessment and control; (d) external communication; (e) financial reporting, budgeting and closing, bank reconciliation, accounting system and records; (f) cash management and loans approval; (g) sales contract management, sales order approval and credit control; (h) purchase contract management and procurement; (i) record registration, management, depreciation and disposal of fixed assets; (j) stock take, reconciliation and record registration of inventory; (k) management and filing of contract authorization and execution; (l) human resources and payroll; (m) production, materials monitoring and quality; and (n) information technology controls.

(2) In the first week of December 2015, the New IC Procedures have been circulated to all staff members of the Group. The heads of the departments of each and every key operating subsidiary of the Company in China was delegated the responsibility to provide introductory training to his staff members on the New IC Procedures.

(3) On 5 November 2015, the Board has established the Compliance Committee to oversee matters of the Group relating to regulatory and compliance, internal control and corporate governance requirements.

(4) On 16 November 2015, the Company has arranged for directors' training to all members of the Board to keep them abreast of the compliance rules and regulations applicable to listed companies in Hong Kong.

(5) The Company is recruiting a full-time compliance officer and internal auditor(s) to take up the overall responsibilities and functions of the Group in relation to our financial reporting procedures, compliance, corporate governance, internal control systems and directors' training.

Details please refer to the Company's announcements dated 30 April 2015, 15 May 2015, 9 July 2015, 7 August 2015, 18 August 2015, 31 August 2015, 6 November 2015 and 6 January 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL *(Continued)*

1.2 RESUMPTION OF TRADING OF COMPANY'S SHARE

On 28 July 2015, the Company received a letter from The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") imposing the following resumption conditions for the resumption of trading of Shares:

(1) the Company should engage an independent forensic specialist acceptable to the Stock Exchange to conduct a forensic investigation on the Incidents, disclose the findings, assess the impact on the Company's financial and operational position, and take any remedial actions to address the findings (the "**First Resumption Condition**");

(2) the Company should demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (the "**Second Resumption Condition**"); and

(3) the Company should inform the market of all material information (the "**Third Resumption Condition**").

The Company fulfilled the First Resumption Condition, Second Resumption Condition and Third Resumption Condition and has made an application to the Stock Exchange for the resumption of trading in Shares on 15 April 2016. Details please refer to the Company's announcements date 15 April 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") issued by the the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

The application of the amendments to 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 on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective as at 1 January 2015:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or a date to be determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs, will have a significant impact on the Group's results of operations and financial position.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

— Step 1: Identify the contract(s) with a customer

— Step 2: Identify the performance obligations in the contract

— Step 3: Determine the transaction price

— Step 4: Allocate the transaction price to the performance obligations in the contract

— Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The Group is in the process of accessing the potential impact of the HKFRS 15 upon initial application but is not yet in a position to state whether HKFRS 15, will have a significant impact on the Group's result of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for buildings and certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

INVESTMENT IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENT IN ASSOCIATES *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) Sales of goods

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied.

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest come is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land (classified as finance leases), excluding buildings and construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is recognised so as to write off the cost or revaluated amount of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and borrowing costs capitalised for qualifying assets in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When allocating an impairment loss to individual assets within a CGU, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the CGU on a pro rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets

The Group's financial assets are classified into fair value through profit or loss ("**FVTPL**") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, pledged bank deposits and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss of the loans and receivables is the difference between the loans and receivables' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchases of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

Other financial liabilities

Other financial liabilities including trade and other payables, bills payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASING *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to directors, employees and others providing similar services rendered by employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCIES *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

GOVERNMENT GRANTS

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RETIREMENT BENEFITS COSTS

Payments to the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes, which are defined contribution schemes, are recognised as an expense when employees have rendered services entitling them to the contributions.

SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the consolidated financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RELATED PARTY TRANSACTIONS

A party is considered to be related to the Group if:

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

(c) both entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i);

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the equity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

ESTIMATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Determining whether an impairment loss is recognised requires an estimate of the recoverable amount of the relevant assets or the CGUs to which the assets belong. The management considers that the Group continues to use the relevant assets and the recoverable amount of the relevant CGUs are determined on the basis of value in use which is higher than its fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are more or less than expected or changes in facts and circumstances which result in revision in future estimated cash flows, a material impairment loss or reversal of impairment loss may arise.

As at 31 December 2015, the carrying amounts of property, plant and equipment are HK$211,111,000 (2014: HK$245,750,000), net of impairment losses of Nil (2014: HK$7,201,000). Details are disclosed in notes 16.

ESTIMATED IMPAIRMENT OF TRADE RECEIVABLES

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2015, the carrying amount of trade receivables is HK$327,349,000 (2014: HK$421,922,000) of which HK$176,463,000 (2014: HK$216,308,000) is trade receivables with extended credit terms. The total allowance for doubtful debts is HK$1,451,000 (2014: HK$1,841,000). Details of movements of allowance for trade receivables are disclosed in note 20.

FAIR VALUE MEASUREMENTS AND VALUATION PROCESSES

As set out in note 16, properties were revalued as at 31 December 2015 basis by a firm of independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

INCOME TAX AND DEFERRED TAXATION

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

5. TURNOVER

	2015 **HK$'000**	2014 HK$'000
An analysis of the Group's turnover is as follows:		
Sales of printed circuit boards ("**PCB**")	**527,811**	675,470
Sales of light emitting diode ("**LED**") lighting	**5,797**	30,451
	533,608	705,921

6. OTHER INCOME

	2015 **HK$'000**	2014 HK$'000
Bank interest income	**2,121**	3,130
Imputed interest on trade receivables with extended credit terms	**5,258**	8,465
Sales of scarp materials	**14,830**	17,115
Government grants (note a)	**477**	3,954
Others (note b)	**1,834**	2,583
	24,520	35,247

Note:

(a) Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries. The government grants had no conditions or contingencies attached to them and they were non-recurring in nature.

(b) Included the amount of approximately HK$95,000 for the interest income from Mr. Chen.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. OTHER GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
Net foreign exchange gain/(loss)	**2,603**	(2,304)
Impairment loss recognised on trade and other receivables	**–**	(1,809)
Amounts recovered/(written off) as uncollectible trade receivables with extended credit terms	**400**	(7,267)
Impairment loss in respect of property, plant and equipment	**–**	(7,201)
Impairment loss of interest in an associate	**–**	(2)
Provision for compensation charges	**(2,166)**	(16,363)
Reversal of impairment loss previously recognised on trade receivables	**338**	592
Loss on disposal/written off of property, plant and equipment	**(695)**	(1,042)
Others	**(761)**	(1,453)
	(281)	(36,849)

8. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on:		
– Bank and other borrowing wholly repayable within five years	**11,160**	9,018
– Obligations under finance leases	**43**	102
	11,203	9,120

9. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**28**	710
Hong Kong Profits Tax	**406**	–
Deferred tax	**–**	2,646
	434	3,356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. INCOME TAX EXPENSE *(Continued)*

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

No provision for Hong Kong Profits Tax is made since there is no assessable profits for the year ended 31 December 2014.

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.

EIT arises from the taxable profit from certain PRC subsidiaries. Pursuant to the relevant laws and regulations in the PRC, 達進東方照明（深圳）有限公司 is granted as High-Technology Enterprise and will be entitled to a favourable tax rate of 15% for the years from 2013 to 2015.

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 **HK$'000**	2014 HK$'000
Loss before tax	**(83,997)**	(113,063)
Tax rate applicable to the major operations of the Group	**25%**	25%
Tax at the applicable rate	**(20,999)**	(28,266)
Tax effect of expenses not deductible for tax purpose	**6,992**	6,309
Tax effect of income not taxable for tax purpose	**(1,089)**	(1,044)
Tax effect of tax losses not recognised	**10,573**	21,561
Tax effect of different tax rate of subsidiaries operating in other jurisdictions	**4,957**	4,796
Income tax expense	**434**	3,356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. LOSS FOR THE YEAR

	2015 **HK$'000**	2014 HK$'000
Loss for the year has been arrived at after charging:		
Employee expenses, including directors' and chief executive officer's remuneration (note)	**147,408**	140,614
Share-based payments	**–**	32,144
Retirement benefit schemes contributions (note)	**11,524**	10,128
Total employee expenses	**158,932**	182,886
Auditors' remuneration	**2,000**	1,600
Non-audit service		
— Interim review	**400**	300
Cost of inventories recognised as an expense	**493,325**	653,520
Depreciation of property, plant and equipment	**27,290**	29,221
Research and development costs recognised as an expense	**2,574**	2,424
Amortisation of prepaid lease payments	**615**	615

Note: Employee expenses and retirement benefit schemes contributions were included the direct and indirect labour cost, they have been recognised in the cost of inventories and administrative expenses. Details are disclosed in note 12.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments of the directors and chief executive officer were as follows:

2015

	Chen Yongsen (note b) HK$'000	Wang Shi Jin (note c) HK$'000	Zhu Jianqin HK$'000	Chen Zheng Xue HK$'000	Shi Qiu Yu HK$'000	Zeng Xiang Di HK$'000	Charles Liu Kam Man HK$'000	Chen Jing HK$'000	Li Jianchao HK$'000	Anson Poon Wai Kong HK$'000	Zhang Xiaofei HK$'000	Poon Chi-Choy HK$'000	Tsang Cheung Fat HK$'000	Leung Wah HK$'000	Lai Sze Ngot HK$'000	Luk Chi Keung HK$'000	Han Peng HK$'000	Lo Chi Ko HK$'000	Total HK$'000
Fee	–	–	–	–	–	–	130	–	–	115	13	115	108	62	62	49	70	51	775
Salaries and other benefits	393	1,277	630	1,408	1,247	1,202	–	1,200	1,219	–	–	–	–	–	–	–	–	–	8,576
Share-based payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Performance related incentive payment (Note a)	–	1,200	1,900	1,600	1,600	1,200	–	2,900	4,440	–	–	–	–	550	750	500	–	500	17,140
Retirement benefit scheme contributions	7	17	17	17	19	15	–	8	9	–	–	–	–	–	–	–	–	–	109
Total emoluments	400	2,494	2,547	3,025	2,866	2,417	130	4,108	5,668	115	13	115	108	612	812	549	70	551	26,600

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11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS *(Continued)*

2014

	Mr. Yeung HK$'000	Zhu Jianqin HK$'000	Li Jinxia HK$'000	Yeung Tai Hoi HK$'000	Cheung Siu Wing, Darius HK$'000	Wong Siu Fai, Albert HK$'000	Sung Lee Ming, Alfred HK$'000	Fong Ping HK$'000	Kwok Tung Fai HK$'000	Chen Jing HK$'000	Li Jianchao HK$'000	Leung Wah HK$'000	Lai Sze Ngot HK$'000	Chen Zheng Xue HK$'000	Shi Qiu Yu HK$'000	Total HK$'000
Fee	–	–	62	62	30	108	108	108	–	–	–	48	80	80	–	686
Salaries and other benefits	3,991	1,200	–	–	–	–	–	–	4,451	2,120	1,880	–	–	–	–	13,642
Share-based payments	2,986	995	–	–	–	–	–	–	–	2,986	3,387	337	337	337	3,387	14,752
Performance related incentive payment (note a)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Retirement benefit scheme contributions	15	59	–	–	–	–	–	–	12	6	6	–	–	–	–	98
Total emoluments	6,992	2,254	62	62	30	108	108	108	4,463	5,112	5,273	385	417	417	3,387	29,178

Notes:

(a) The performance related incentive payment was determined based on individual performance.

(b) Mr. Chen Yongsen was appointed as executive director on 12 August 2015 and was appointed as Chairman on 16 November 2015.

(c) Mr. Wang Shi Jin was appointed as an executive director on 29 January 2015 and was appointed as Chairman from 5 June 2015 to 16 November 2015. He was appointed as chief executive officer on 16 November 2015.

(d) Mr. Charles Liu Kam Man was appointed as an executive director on 1 June 2015 and resigned on 8 October 2015.

(e) Mr. Zeng Xiang Di was appointed as an executive director on 29 January 2015 and resigned on 16 November 2015.

(f) Mr. Chen Jing was appointed as an executive director on 1 September 2014 and resigned on 5 June 2015.

(g) Mr. Li Jianchao was appointed as an executive director on 1 September 2014 and resigned on 5 June 2015.

(h) Mr. Anson Poon Wai Kong was appointed as an independent non-executive director of on 1 June 2015.

(i) Mr. Zhang Xiaofei was appointed as an independent non-executive director on 16 November 2015.

(j) Mr. Poon Chi-Choy, Sonny was appointed as an independent non-executive director on 1 June 2015.

(k) Dr. Tsang Cheung Fat was appointed as an independent non-executive director on 1 June 2015 and resigned on 16 November 2015.

(l) Mr. Luk Chi Keung was appointed as an independent non-executive director on 2 February 2015 and resigned on 5 June 2015.

(m) Ms. Han Pang was appointed as an independent non-executive director on 1 June 2015 and resigned on 8 October 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS *(Continued)*

Notes: (continued)

(n) Mr. Wong Siu Fai, Albert resigned as an independent non-executive director on 16 October 2014.

(o) Mr. Sung Lee Ming, Alfred resigned as an independent non-executive director on 16 October 2014.

(p) Mr. Fong Ping resigned as an independent non-executive director on 16 October 2014.

(q) Ms. Li Jin Xia resigned as an independent non-executive director on 1 September 2014.

(r) Mr. Yeung Tai Hoi resigned as an independent non-executive director on 1 September 2014.

(s) Mr. Chen Zheng Xue was appointed as independent non-executive director on 16 October 2014 and re-designated as executive director on 29 January 2015.

(t) Ms. Shi Qiu Yu was appointed as non-executive director on 16 October 2014 and re-designated as executive director on 29 January 2015.

(u) Mr. Cheung Siu Wing, Darius resigned as an independent non-executive director on 2 April 2014 .

(v) Mr. Leung Wah was appointed as an independent non-executive director on 1 September 2014 and resigned on 5 June 2015.

(w) Mr. Lai Sze Ngot was appointed as an independent non-executive director on 16 October 2014 and resigned on 5 June 2015.

(x) Mr. Lo Chi Ko was appointed as an independent non-executive director on 29 January 2015 and resigned on 5 June 2015.

None of the director has waived any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, three (2014: four) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining two (2014: one) individuals were as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	**2,335**	14,538
Performance related incentive payment	**8,420**	–
Retirement benefit schemes contributions	**18**	43
	10,773	14,581

	2015 HK$'000	2014 HK$'000
Their emoluments were within the following bands:		
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
Above HK$1,500,001	**2**	1
	2	1

The emoluments paid or payable to members of senior management (excluding the Directors) were within the following bands:

	2015 HK$'000	2014 HK$'000
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**–**	–
Above HK$1,500,001	**–**	–

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

14. LOSS PER SHARE

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

	2015	2014
	HK$'000	HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share, loss for the year attributable to owners of the Company	**(81,225)**	(111,872)

	2015	2014
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**530,740**	453,917

The calculation of the diluted loss per share for both years did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

15. ASSETS CLASSIFIED AS HELD FOR SALE

In March 2013, TC (BVI) Limited (a wholly-owned subsidiary of the Company), entered into an agreement with an independent third party in which the independent third party would inject not less than RMB20,000,000 as construction costs to acquire 70% equity interest of Best Pursue Holdings Limited and its subsidiaries ("**Best Pursue Group**"). Best Pursue Group owns a land with carrying value of HK$15,280,000 (2014: HK$16,044,000) which is held under medium lease terms and is situated in the PRC at the end of the reporting period. The transaction has not yet been completed at the end of the reporting period and control has not yet been passed to the buyer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Plant and machinery HK $'000	Furniture and fixtures HK $'000	Motor vehicles HK$'000	Office equipment HK$'000	Leashold improvements HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2014	3,277	196,886	449,449	2,340	7,808	8,519	85,297	753,576
Exchange alignment	–	–	–	–	–	–	–	–
Additions	200	–	1,109	7	277	77	9,844	11,514
Transfers	(1,773)	–	79	–	–	–	1,694	–
Disposal/written off	–	–	(16,572)	–	(1,115)	–	(807)	(18,494)
Deficit on revaluation	–	(43,523)	–	–	–	–	–	(43,523)
At 31 December 2014 and 1 January 2015	1,704	153,363	434,065	2,347	6,970	8,596	96,028	703,073
Exchange alignment	(14)	–	(432)	(40)	(42)	(51)	(67)	(646)
Additions	–	–	1,422	12	484	144	359	2,421
Transfers	(1,418)	–	1,099	–	–	–	319	–
Disposal/written off	–	–	(44,436)	–	(773)	–	–	(45,209)
Deficit on revaluation	–	(12,529)	–	–	–	–	–	(12,529)
As 31 December 2015	272	140,834	391,718	2,319	6,639	8,689	96,639	647,110
Comprising:								
At cost	272	–	391,718	2,319	6,639	8,689	96,639	506,276
At valuation — 2015	–	140,834	–	–	–	–	–	140,834
	272	140,834	391,718	2,319	6,639	8,689	96,639	647,110
DEPRECIATION AND IMPAIRMENT								
At 1 January 2014	–	–	365,399	1,731	4,563	7,541	64,396	443,630
Exchange alignment	–	–	–	–	–	–	–	–
Provided for the year	–	5,790	16,978	108	867	311	5,167	29,221
Disposals/written off	–	–	(15,017)	–	(1,115)	–	(807)	(16,939)
Elimination on revaluation	–	(5,790)	–	–	–	–	–	(5,790)
Impairment loss recognised in profit or loss	–	–	3,179	–	–	–	4,022	7,201
At 31 December 2014 and 1 January 2015	–	–	370,539	1,839	4,315	7,852	72,778	457,323
Exchange alignment	–	–	(298)	(16)	(20)	(28)	(38)	(400)
Provided for the year	–	4,195	16,336	95	881	297	5,486	27,290
Elimination on revaluation	–	(4,195)	–	–	–	–	–	(4,195)
Disposal/written off	–	–	(43,698)	–	(321)	–	–	(44,019)
At 31 December 2015	–	–	342,879	1,918	4,855	8,121	78,226	435,999
CARRYING VALUES								
At 31 December 2015	272	140,834	48,839	401	1,784	568	18,413	211,111
At 31 December 2014	1,704	153,363	63,526	508	2,655	744	23,250	245,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line method at the following rates per annum:

Buildings	Over the remaining term of the leases
Leasehold improvements	10% or over the term of lease, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	10%
Motor vehicles	18%
Office equipment	18%

The carrying value of the Group's buildings and construction in progress shown above are situated in the PRC under medium-term leases.

During the year ended 31 December 2015, there were no any impairment loss of the property, plant and equipment.

For the year 31 December 2014, property, plant and equipment with carrying amount of approximately HK$7,201,000 became obsolete and unable to generate economic benefit. The Directors carried out a review of the recoverable amount of that plant and machinery. Impairment losses of approximately HK$3,179,000 and HK$4,022,000 have been recognised in respect of the plant and machinery and leasehold improvements, respectively.

The impairment losses have been included in the consolidated statement of profit or loss in the other gains and losses.

The Group's buildings were valued on 31 December 2015 and 2014 by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	2015 **HK$'000**	2014 HK$'000
As at 1 January	**153,363**	196,886
Deficit on revaluation	**(12,529)**	(43,523)
As at 31 December	**140,834**	153,363

If buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$91,066,000 (2014: HK$93,430,000).

As at 31 December 2015, the carrying values of the Group's and motor vehicles include amounts of HK$878,000 (2014: HK$1,281,000), in respect of assets held under finance leases.

The Group has pledged buildings and plant and machinery having carrying amounts of HK$140,834,000 (2014: HK$153,363,000) and HK$860,000 (2014: HK$1,259,000), respectively, to secure general banking facilities granted to the Group.

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2015 and 2014 are as follows:

	Carrying value of investment properties 2015 HK$'000	2014 HK$'000	**Fair value hierarchy**	**Valuation technique(s) and significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Industrial properties in the PRC	**140,834**	153,363	Level 3	Direct comparison method — based on price per square foot, using market observable comparable prices of similar properties ranging from HK$2,300 to HK$2,700 (2014: HK$2,500 to HK$3,125) per sq.ft, and adjusted taking into account of locations and other individual factors such as floor level, building age, size and conditions of the properties.	The higher the price, the higher the fair value.

	Level 3 HK$'000	**Fair value as at 31 December 2015 HK$'000**
Buildings in the PRC	**140,834**	**140,834**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Level 3 HK$'000	Fair value as at 31 December 2014 HK$'000
Buildings in the PRC	153,363	153,363

There were no transfers into or out of level 3 during the year.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2015 HK$'000	2014 HK$'000
Land use rights in the PRC under medium-term leases	**19,459**	20,074
Analysis for reporting purposes as:		
Non-current assets	**18,844**	19,459
Current assets	**615**	615
	19,459	20,074

The prepaid lease payments are charged to profit or loss over the respective term of the lease on a straight-line basis.

As at 31 December 2015, the Group has pledged the land use rights of carrying amount of HK$19,459,000 (2014: HK$20,074,000) to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Cost of unlisted investments in associates	12,502	2
Less: impairment loss of interest in an associate	(2)	(2)
	12,500	–

As the directors considered that the associates of the Group is immaterial, the summarised financial information and share of results of the associates are not disclosed.

Particulars of the Group's associates at the end of the reporting period is set out below.

Name of associate	Place of incorporation/ operation	Proportion of ownership interest and voting rights held by the Group directly/indirectly 2015	2014	Principal activity
Jolly Pearl Enterprises Limited 朝珍企業有限公司	The British Virgin Islands	30%	30%	Inactive
臨湘市金泰礦業有限公司	The PRC	22.2% (note)	–	Inactive

Note: As at 31 December 2015, the Group had capital commitment in respect of capital not yet injected into 臨湘市金泰礦業有限公司 amounted to HK$18,750,000 (RMB15,000,000). After the injection, the proportion of ownership interest held by the Group increase from 22.2% to 41.7%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**18,203**	25,272
Work in progress	**11,313**	13,770
Finished goods	**24,509**	37,205
	54,025	76,247

20. TRADE, BILLS AND OTHER RECEIVABLES

(a) TRADE AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables with normal credit terms (note i)	**152,337**	207,455
Less: Allowance for doubtful debts	**(1,451)**	(1,841)
	150,886	205,614
Trade receivables with extended credit terms (note ii)	**176,463**	216,308
Total trade receivables, net of allowance for doubtful debts	**327,349**	421,922
Less: Non-current portion of trade receivables with extended credit terms	**(50,055)**	(77,281)
Current portion of trade receivables	**277,294**	344,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

	2015 HK$'000	2014 HK$'000
Advances to suppliers	**205**	3,002
Value-added tax recoverable	**9,567**	18,880
	9,772	21,882
Other receivables (note iii and iv)	**198,310**	59,516
	208,082	59,516
Trade and other receivables shown under current assets	**485,376**	426,039

The Group generally allows an average credit period of 30 days to 180 days to its trade on PCB customers with normal credit terms and credit period ranging from one year to ten years to its trade on LED lighting customers with extended credit terms which is based on the contractual repayment schedule. The following is an aging 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, which approximated the respective revenue recognition dates:

	Extended credit terms		Normal credit terms		Total	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
0–30 days	**362**	–	**40,846**	58,064	**41,208**	58,064
31–60 days	**–**	–	**33,723**	54,199	**33,723**	54,199
61–90 days	**–**	597	**31,325**	44,024	**31,325**	44,621
91–180 days	**1,094**	1,291	**41,926**	44,789	**43,020**	46,080
Over 180 days	**175,007**	214,420	**3,066**	4,538	**178,073**	218,958
	176,463	216,308	**150,886**	205,614	**327,349**	421,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance of doubtful debts

	2015 **HK$'000**	2014 HK$'000
Balance at beginning of the year	**1,841**	12,338
Impairment loss recognised on trade receivables	**–**	1,809
Amounts written off as uncollectible	**(52)**	(11,714)
Impairment loss reversed	**(338)**	(592)
Balance at end of the year	**1,451**	1,841

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$1,451,000 (2014: HK$1,841,000). The Group does not hold any collateral over these balances.

Notes:

i. **TRADE RECEIVABLES WITH NORMAL CREDIT TERMS**

Before accepting any new customer, the Group evaluates the potential customer's credit risk and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Around 69% (2014: 73%) of the trade receivables with normal credit terms that are neither past due nor impaired have no default payment history. Included in the Group's trade receivable balance with normal credit terms are debtors with an aggregate carrying amount of HK$47,074,000 (2014: HK$55,957,000) which are past due for which the Group has not provided for impairment loss. These receivables relate to a number of independent customers that have had continuous repayment records and settled certain receivables subsequent to the reporting period. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables with normal credit terms which are past due but not impaired based on invoice date

	2015 **HK$'000**	2014 HK$'000
Overdue by:		
0–30 days	**25,978**	38,571
31–60 days	**10,208**	12,171
61–90 days	**3,574**	1,163
91–180 days	**2,289**	3,580
Over 180 days	**5,025**	472
Total	**47,074**	55,957

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

ii. TRADE RECEIVABLES WITH EXTENDED CREDIT TERMS

At 31 December 2015, the balances represent the carrying amounts of trade receivables with extended credit terms of HK$176,463,000 (2014: HK$216,308,000) resulting from the sales of LED lighting products to external customers ("**LED Receivables**") which will mostly be settled by instalments ranging from one to ten years pursuant to the supply contracts. The fair value of the considerations recognised is determined using an imputed rate of interest.

At the end of the reporting period, the Group has LED Receivables which fall due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**126,408**	139,027
In the second to fifth year inclusive	**50,055**	77,281
	176,463	216,308

Included in the trade receivables with extended credit terms are balances of HK$116,739,000 (2014: HK$151,127,000) receivable from certain government authorities in the PRC.

Before accepting any new customer and entering into supply contract with a customer, the Group evaluates the potential customer's credit risk and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Around 41% (2014: 60%) of the net trade receivables with extended credit terms that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance with extended credit terms are debtors with an aggregate carrying amount of HK$103,327,000 (2014: HK$87,320,000) which are past due for which the Group has not provided for impairment loss. These receivables relate to a number of independent customers that have had repayment records and settled certain receivables subsequent to the reporting period. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables with extended credit terms which are past due but not impaired based on invoice date

	2015 HK$'000	2014 HK$'000
Overdue by:		
0–30 days	**9,865**	9,973
31–60 days	**–**	261
61–90 days	**1,082**	–
91–180 days	**33**	3,891
Over 180 days	**92,347**	73,195
Total	**103,327**	87,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

iii. (a) At the end of the reporting period, included in the Group's other receivables is an amount of HK$3,888,000 licensing income receivable (2014: HK$3,888,000) from Orient Opto-Semiconductors Corp. ("**Dongfang**"), a non-controlling interest of 達進東方照明（深圳）有限公司, a PRC subsidiary of the Company and is controlled by Mr. Zhu Jianqin, who is a Director of the Company. Amounts are unsecured, interest-free and repayable on demand.

(b) During the year 2014, the Group has entered into a construction contracts with 深圳市世紀安耐光電科技有限公司 ("**世紀安耐**") of approximately HK$25,857,000 included in the Group's other receivables as at 31 December 2015 (2014: HK$28,111,000). Mr. Chen is a substantial shareholder and was a Director of the Company and resigned on 5 June 2015 and is a director of 世紀安耐.

(c) As at 31 December 2015, including in the Group's other receivables amounts of approximate HK$915,000 (2014: HK$506,000) was from 江蘇金來順光電科技有限公司 ("**江蘇金來順**"). Mr. Chen Jing was substantial shareholder substantial shareholder and was a Director of the Company and resigned on 5 June 2015 and is a general manager of 江蘇金來順.

(d) During the interim period, TC Orient Lighting (Shenzhen) Limited (the "**TC Shenzhen**"), a subsidiary of the Company entered into a loan agreement (the "**Loan**") with Mr. Chen. The loan amount of approximately RMB3,000,000 (HK$3,571,000) (2014: Nil) was included in other receivables and related interest receivable amount of approximately HK$95,000 (2014: Nil) as at 31 December 2015. Mr. Chen is a substantial shareholder and was a Director of the Company and resigned on 5 June 2015.

(e) During the year ended 2014, the Company entered into a supply contract with Shenzhen Tronsin Illuminating Technique Ltd ("**Tronsin**") for the sum of approximately HK$1,600,000 (2014: Nil) and paid during the year, included in the other receivable as at 31 December 2015. Mr. Chen Jing was a substantial shareholder of the Company and Tronsin and was a Director of the Company and resigned on 5 June 2015.

iv. Movement in the allowance for doubtful debts

	2015 HK$'000	2014 HK$'000
Balance at beginning of the year	–	2,286
Amounts written off as uncollectible trade receivable	–	(2,286)
Balance at end of the year	–	–

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of Nil (2014: HK$2,286,000) receivable from debtors which have either been placed under liquidation or in severe difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(b) BILLS RECEIVABLE

The following is an aged analysis of bills receivable based on issue date of the bills at the end of the reporting period:

	2015 **HK$'000**	2014 HK$'000
0–30 days	**2,739**	5,833
Over 30 days	**13**	–
	2,752	5,833

The trade, bills and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2015 **HK$'000**	2014 HK$'000
United States dollars ("**US$**")	**141,133**	149,960
Renminbi ("**RMB**")	**300,983**	101,183
	442,116	251,143

At the end of the reporting period, the Group has pledged trade receivables having carrying amounts of Nil (2014: HK$12,875,000) to secure general banking facilities granted to the Group.

21. PLEDGED BANK DEPOSITS/BANK BALANCES, DEPOSITS AND CASH

As at 31 December 2015, the pledged bank deposits comprise deposits for the issue of bills payable of HK$85,737,000 (2014: HK$40,510,000) and deposits of Nil (2014: HK$65,426,000) for short-term bank borrowings. The pledged bank deposits are classified as current assets because the bills payable and bank borrowings being secured are due within one year.

Pledged bank deposits and bank balances and deposits with original maturity less than three months carry interest at market interest rates ranging from 0.01% to 1.82% (2014: 0.01% to 3.8%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. PLEDGED BANK DEPOSITS/BANK BALANCES, DEPOSITS AND CASH

(Continued)

The pledged bank deposits and bank balances, deposits and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2015 **HK$'000**	2014 HK$'000
US$	**28,072**	94,333
RMB	**89,243**	43,878
HK$	**277**	282
	117,592	138,493

Included in the pledged bank deposits and bank balances, deposits and cash were amounts in RMB of approximately HK$98,007,000 (2014: HK$43,878,000) which were not freely convertible into other currencies.

22. TRADE, BILLS AND OTHER PAYABLES

(a) TRADE AND OTHER PAYABLES

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

	2015 **HK$'000**	2014 HK$'000
0–30 days	**24,949**	40,294
31–60 days	**20,600**	37,276
61–90 days	**13,663**	31,834
91–180 days	**49,236**	53,112
Over 180 days	**58,737**	45,801
Total trade payables	**167,185**	208,317
Other payables	**148,589**	79,860
Accrued salaries and other accrued charges	**29,171**	25,026
	344,945	313,203

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

22. TRADE, BILLS AND OTHER PAYABLES *(Continued)*

(b) BILLS PAYABLE

The aged analysis of bills payable is as follows:

	2015 HK$'000	2014 HK$'000
0–30 days	**51,012**	31,814
31–60 days	**5,814**	14,923
61–90 days	**8,328**	15,806
91–180 days	**69,992**	54,745
	135,146	117,288

The trade, bills and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2015 HK$'000	2014 HK$'000
US$	**2,497**	–
RMB	**471,975**	279,064
	474,472	279,064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

23. BANK BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank loans	**83,502**	128,318
Trust receipt loans	**38,155**	101,975
	121,657	230,293
Analysed as:		
Secured	**121,657**	230,293
Unsecured	**–**	–
	121,657	230,293
Fixed-rate borrowings	**121,657**	168,205
Variable-rate borrowings	**–**	62,088
	121,657	230,293
Carrying amounts repayable within one year based on scheduled payment dates set out in the loan agreements	**121,657**	230,293
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)	**–**	–
	121,657	230,293
Less: Amounts due within one year shown under current liabilities	**(121,657)**	(230,293)
Amounts shown under non-current liabilities	**–**	–

The bank borrowings were secured by assets of the Group as disclosed in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

23. BANK BORROWINGS *(Continued)*

The above bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2015 **HK$'000**	2014 HK$'000
US$	**17,550**	74,568
RMB	**104,107**	155,725
	121,657	230,293

The contractual interest rates of variable-rate bank loans are London Interbank Offered Rate ("**LIBOR**") plus 2.5% per annum during the year ended 31 December 2014. Interest is repriced every year.

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

	2015 **HK$'000**	2014 HK$'000
Effective interest rates:		
Fixed-rate borrowings	**1.84 to 5.35%**	**4.28 to 7.76%**
Variable-rate borrowings	–	**2.61 to 2.65%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		PV of minimum lease payment	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**329**	436	**298**	394
In the second year	**252**	329	**225**	298
In the third year	**–**	252	**–**	225
	581	1,017	**523**	917
Less: Future finance charges	**(58)**	(100)	**–**	–
Present value of lease obligations	**523**	917	**523**	917
Less: Amount due within one year shown under current liabilities			**(298)**	(394)
Amount due after one year shown under non-current liabilities			**225**	523

The Group has leased certain of its plant and machinery and motor vehicles under finance leases. The average lease term is five years and the contractual interest rates for the year are ranged from 1.76% to 3.26% (2014: from 1.63% to 3.19%) per annum and the average effective interest rate was 5.95% (2014: 1.91%) per annum. All leases are denominated in functional currency of respective group entities and no arrangement has been entered into for contingent rental payments.

The obligations under finance leases are secured by the lessor's charge over the leased assets.

Certain obligations under finance leases are secured by the corporate guarantees provided by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015 **HK$'000**	2014 HK$'000
Deferred tax liabilities	**(16,732)**	(18,816)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years.

	Revaluation of properties HK$'000	**Undistributable profits of PRC subsidiaries** HK$'000	**Impairment loss in respect of property, plant and equipment** HK$'000	**Total** HK$'000
At 1 January 2014	(27,849)	(400)	2,646	(25,603)
Charge to profit or loss	–	–	(2,646)	(2,646)
Charge to other comprehensive income	9,433	–	–	9,433
At 31 December 2014 and 1 January 2015	(18,416)	(400)	–	(18,816)
Charge to other comprehensive income	2,084	–	–	2,084
At 31 December 2015	(16,332)	(400)	–	(16,732)

At 31 December 2015, the Group has unused tax losses of HK$69,617,000 (2014: HK$68,450,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. DEFERRED TAXATION *(Continued)*

At the end of the reporting period, the Group has deductible temporary differences of HK$364,893,000 (2014: HK$365,293,000). The deductible temporary differences arise due to impairment loss in respect of property, plant and equipment, intangible assets and trade receivables. No deferred tax asset has been recognised in relation to deductible temporary differences of HK$354,329,000 (2014: HK$354,709,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

26. SHARE CAPITAL

	Number of shares		Amount	
	2015	2014	**2015**	2014
	Number	Number		
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary of shares of HK$0.10 each				
At 1 January and 31 December	**2,000,000**	2,000,000	**200,000**	200,000
Issued and full paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**530,740**	442,284	**53,074**	44,228
Issue of share upon placing (note)	**–**	88,456	**–**	8,846
At 31 December	**530,740**	530,740	**53,074**	53,074

Note: On 16 October 2014, the placing agreement was entered into between the Company and Qilu International Capital Limited ("**the Placing Agent**"), pursuant to which the Company has appointed the Placing Agent to procure not less than six places, on a best effort basis, for subscribe up to 88,456,000 placing shares at HK$1 per placing share. Details of the placing were disclosed in the Company's announcements dated 17 October 2014 and 14 November 2014, respectively.

27. RESERVES

(a) PRC STATUTORY RESERVE

As stipulated by the relevant PRC laws and regulations, certain subsidiaries of the Company in the PRC shall set aside certain percent of their net profit after taxation prepared in accordance with generally accepted accounting policies in the PRC for the PRC statutory reserve (except where the reserve balance has reached 50% of the paid-up capital of the respective enterprises). The reserve can only be used, upon approval by the board of directors of respective enterprises and by relevant authority, to offset accumulated losses or increase capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. RESERVES *(Continued)*

(b) SPECIAL RESERVE

The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of subsidiaries acquired pursuant to the group reorganisation.

(c) CAPITAL CONTRIBUTION RESERVE

The capital contribution reserve represents a fair value adjustment on non-current interest-free loan from a shareholder.

(d) CAPITAL REDEMPTION RESERVE

The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

(e) DISTRIBUTABLE RESERVE

The Company's reserves available for distribution to shareholders at 31 December 2015 of approximately HK$16,772,000 (2014: HK$47,724,000).

28. SHARE OPTION SCHEME

On 5 June 2006, the share option scheme (the "**Share Option Scheme**") was adopted. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Company or the Group and to promote the success of the business of the Group. The directors of the Company may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Company or the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares). On 27 May 2011, a resolution was passed on the Annual General Meeting for the approval of refreshing the 10% mandate under the Share Option Scheme (the "**Refreshed Scheme Mandate**") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 27 May 2011 (such 10% limit representing 43,777,580 shares and options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

28. SHARE OPTION SCHEME *(Continued)*

No option may be granted to any person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of the grant of options is HK$1. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price of the Company's share on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The following table discloses the details of the Company's share options and movements for both years:

	Date of grant	Exercised period	Exercise price per share HK$	Outstanding at 1 January 2014 '000	Granted during the year '000	Reclassification during the year '000 (Note 5)	Exercised during the year '000	Lapsed/ forfeited during the year '000	Outstanding at 31 December 2014 '000	Reclassification during the year '000	Exercised during the year '000	Lapsed/ forfeited during the year '000	Outstanding at 31 December 2015 '000
Directors	29 September 2009	(Note 1)	1.07	4,000	–	(80)	–	(3,320)	600	–	–	(600)	–
	14 July 2010	(Note 2)	1,50	580	–	(140)	–	(440)	–	–	–	–	–
	2 September 2011	(Note 3)	2.11	2,700	–	(200)	–	(200)	2,300	–	–	–	2,300
	22 October 2014	(Note 4)	1.25	–	19,266	–	–	–	19,266	(3,900)	–	(9,203)	6,163
Subtotal				7,280	19,266	(420)	–	(3,960)	22,166	(3,900)	–	(9,803)	8,463
Consultants	29 September 2009	(Note 1)	1,07	1,200	–	–	–	(600)	600	–	–	(600)	–
	29 September 2010	(Note 2)	2.62	2,000	–	–	–	(2,000)	–	–	–	–	–
	11 October 2010	(Note 2)	2.70	400	–	–	–	(400)	–	–	–	–	–
	29 November 2010	(Note 2)	3.39	1,300	–	–	–	–	1,300	–	–	–	1,300
	22 October 2014	(Note 4)	1.25	–	8,261	–	–	–	8,261	3,900	–	(1,320)	10,841
Subtotal				4,900	8,261	–	–	(3,000)	10,161	3,900	–	(1,920)	12,141
Employees	29 September 2009	(Note 1)	1.07	1,066	–	80	–	(1,146)	–	–	–	–	–
	14 July 2010	(Note 2)	1.50	78	–	140	–	(218)	–	–	–	–	–
	29 September 2010	(Note 2)	2.62	–	–	–	–	–	–	–	–	–	–
	2 September 2011	(Note 3)	2.11	2,900	–	200	–	(1,100)	2,000	–	–	–	2,000
	22 October 2014	(Note 4)	1.25	–	16,721	–	–	(238)	16,483	–	–	(12,896)	3,587
Subtotal				4,044	16,721	420	–	(2,702)	18,483	–	–	(12,896)	5,587
Total				16,224	44,248	–	–	(9,662)	50,810	–	–	(24,619)	26,191
Exercisable at the end of the year				13,424					49,735				26,191
Weighted average exercise price				HK$1.86	HK$1.25	N/A	N/A	HK$1.63	HK$1.37	N/A	N/A	HK$1.24	HK$1.50

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28. SHARE OPTION SCHEME *(Continued)*

Note 1: 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 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 10th year after the date of grant.

Note 3: 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 4: Options are exercisable on or after 22 October 2014, The options will be expired in the 10th year after the date of grant.

Note 5: During the year, Mr. Yeung Hoi Shan resigned as executive director on 3 December 2014.

With reference to the vesting period attached to the respective share options, the Group recognised share-based payment expenses as follows:

	2015 **HK$'000**	2014 HK$'000
Directors' and chief executive officer's emoluments	–	14,752

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, and equity attributable to owners of the Company as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issue of new shares and share buy-back as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. FINANCIAL INSTRUMENTS

a. CATEGORIES OF FINANCIAL INSTRUMENTS

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**657,937**	760,526
Financial liabilities		
Amortised cost	**531,236**	596,791

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bills receivable, pledged bank deposits, bank balances, deposits and cash, trade and other payables, bills payable and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to initiate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in US$, HK$ and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management do not expect the net foreign currency risk from these activities to be significant and hence; the Group do not precriting hedge the foreign exchange risks. The Group periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk, exposure and with consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the monetary assets and liabilities that are denominated in currencies other than the functional currencies of the relevant group entities at the reporting date are as follows:

	2015 HK$'000	2014 HK$'000
Assets		
US$	**169,205**	244,283
RMB	**244,359**	145,060
HK$	**277**	282
Liabilities		
US$	**20,047**	85,527
RMB	**233,578**	450,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The Group's currency risk is mainly concentrated on the fluctuation of US$ and RMB.

Since HK$ is pegged to US$, the Group does not expect any significant movement in US$/HK$ exchange rate. If the HK$ weakened by 2% (2014: 2%) against RMB, the Group's loss for the year ended 31 December 2015 would increase by HK$162,000 (2014: HK$4,582,000). If the HK$ strengthened by 2% (2014: 2%) against RMB, there would be an equal and opposite impact on the loss for the year. No sensitivity analysis for HK$ against RMB is presented as management considered that it is not significant. Management will monitor foreign exchange exposure to mitigate the foreign currency risk.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and obligations under finance leases (see notes 23 and 24 for details of these borrowings and leases).

The Group is also exposed to cash flow interest rate risk in relation to its bank balances (see note 21 for details) and its variable-rate bank borrowings (see note 23 for details of these borrowings). The Group currently does not have any interest rate hedging policy. Management will also consider hedging significant interest rate exposure should the needs arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's borrowings.

Sensitivity analysis

Since bank balances and deposits are in short maturity date, the Group does not expect any significant impact due to movement in interest rates and the balances are excluded from the sensitivity analysis.

The sensitivity analyses below have been determined based on the exposure to variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 120 basis point (2014: 120 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

For the variable-rate bank borrowings, if interest rates had been 120 basis points (2014: 120 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2015 would increase/decrease by approximately HK$ Nil (2014: HK$559,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk on certain major customers of the electronics industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 34% (2014: 29%) of the trade receivables with normal credit terms and the largest trade receivable attributable to the Group's trade receivables with normal credit terms was approximately 22% (2014: 8%). The major customers are located in Hong Kong ("**HK**") and the PRC and are mainly engaged in the manufacturing and trading of consumer electronics. The five largest customers under normal credit terms have continuous repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

The Group also has concentration of credit risk on certain major customers of the LED lighting industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 27% (2014: 53%) of the trade receivables with extended credit terms and the largest trade receivable attributable to the Group's trade receivables with extended credit terms was approximately 9% (2014: 18%). The major customers are located in the PRC including certain government authorities in the PRC and corporations which are mainly engaged in the construction industry. The trade receivables from certain government authorities in the PRC accounted for approximately 67.6% (2014: 40%) of the trade receivables with extended credit terms.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on the Group's trade receivables with extended credit terms is limited because the counterparties are certain government authorities in the PRC or corporations having no default payment history.

The credit risk on bank deposits is limited because the counterparties are banks with high reputation.

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For the year ended 31 December 2015

30. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group has net current assets of HK$9,816,000 as at 31 December 2015 (2014: HK$57,928,000). The Group has sufficient funds to finance its current working capital requirements taking into account the existing banking facilities and cash flows from operations.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both principal and interest cash outflows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2015								
Non-derivative financial liabilities								
Trade and other payables	–	–	274,433	–	–	–	274,433	274,433
Bills payable	–	–	135,146	–	–	–	135,146	135,146
Obligations under finance leases	5.95	–	329	252	–	–	581	523
Bank and other borrowings								
— fixed rate	3.90	–	122,771	–	–	–	122,771	121,657
		–	532,679	252	–	–	532,931	531,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate %	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2014								
Non-derivative financial liabilities								
Trade and other payables	–	–	249,210	–	–	–	249,210	249,210
Bills payable	–	–	117,288	–	–	–	117,288	117,288
Obligations under finance leases	1.91	–	436	329	252	–	1,017	917
Bank and other borrowings								
— fixed rate	5.56	–	170,916	–	–	–	170,916	168,205
— variable rate	2.61 to 2.65	–	62,347	–	–	–	62,347	62,088
		–	600,197	329	252	–	600,778	597,708

c. FAIR VALUE

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

31. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, the equity settled of share-based payment expenses were approximately HK$32,144,000.

32. OPERATING LEASES

OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2015 HK$'000	2014 HK$'000
Premises	**2,545**	3,411

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**2,018**	917
In the second to fifth year inclusive	**649**	182
	2,667	1,099

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouse. Leases are negotiated for an average term ranging from two to five years with fixed rental.

The Group as lessor

During the year ended 31 December 2015, the Group did not earn any property rental income (2014: Nil).

33. CAPITAL COMMITMENT

Save as disclosed elsewhere in this annual report, the Group's capital expenditure as follow:

	2015 HK$'000	2014 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. PLEDGED OF ASSETS

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

	2015 HK$'000	2014 HK$'000
Buildings	**140,834**	153,363
Plant and machinery	**860**	1,259
Pledged bank deposits	**85,737**	105,936
Prepaid lease payments	**19,459**	20,074
Trade receivables	**–**	12,875
	246,890	293,507

In addition, as at 31 December 2015, the carrying amounts of the Group's motor vehicles include amounts of HK$878,000 (2014: HK$1,281,000), in respect of assets held under finance leases which are secured by the lessor's charge over the leased assets.

35. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The MPF Scheme is a registered scheme under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK$1,500 per month (HK$1,500 since 1 June 2014). No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The employees employed by the entities in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC entities are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the PRC government is to make the specific contributions under the schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

36. MATERIAL RELATED PARTY DISCLOSURES

Save as disclosed elsewhere in this annual report, the Group entered the following material related party transactions:

(i) RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of key management for the Group (representing directors and the chief executive officer) during the year are set out as follows:

	2015 HK$'000	2014 HK$'000
Short-term benefits	**26,491**	14,328
Post-employment benefits	**109**	98
Share-based payments	**–**	14,752
	26,600	29,178

(b) Interest income from Mr. Chen of approximately HK$95,000 constitutes continuing transactions (note 6).

(ii) RELATED PARTY BALANCES

Details of the Group's outstanding balances with related parties are set out on the consolidated statement of financial position and in note 20(a)(iii).

Note: The transaction constitutes continuing transaction under Chapter 14A of Listing Rules. Please also refer "Annual Review of Continuing Connected Transaction" under "Directors' Report".

37. SEGMENTAL INFORMATION

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

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

- Manufacturing and trading of Single-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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

37. SEGMENTAL INFORMATION *(Continued)*

SEGMENT TURNOVER AND RESULTS

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

	2015 HK$'000	2014 HK$'000
TURNOVER – external sales		
Single-sided PCB	**157,811**	195,619
Double-sided PCB	**212,969**	278,444
Multi-layered PCB	**157,031**	201,407
LED lighting	**5,797**	30,451
Total	**533,608**	705,921
RESULTS		
Segment losses		
– Single-sided PCB	**(18,688)**	(23,907)
– Double-sided PCB	**(25,219)**	(34,031)
– Multi-layered PCB	**(18,595)**	(24,616)
– LED lighting	**(10,863)**	(24,130)
	(73,365)	(106,684)
Other income	**3,955**	5,713
Central administrative costs	**(3,384)**	(2,972)
Finance costs	**(11,203)**	(9,120)
Loss before tax	**(83,997)**	(113,063)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

37. SEGMENTAL INFORMATION *(Continued)*

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment results:

	2015 HK$'000	2014 HK$'000
Depreciation and amortisation		
– Single-sided PCB	**7,591**	7,897
– Double-sided PCB	**10,244**	11,242
– Multi-layered PCB	**7,553**	8,131
– LED lighting	**1,133**	1,194
	26,521	28,464
– unallocated	**1,384**	1,372
	27,905	29,836
Net written off/impairment loss (reversed)/recognised in respect of trade and other receivables		
– Single-sided PCB	**(338)**	352
– Double-sided PCB	**–**	502
– Multi-layered PCB	**–**	363
– LED lighting	**(400)**	7,267
	(738)	8,484
Impairment loss recognised in respect of property, plant and equipment		
– Single-sided PCB	**–**	1,348
– Double-sided PCB	**–**	1,919
– Multi-layered PCB	**–**	1,388
– LED lighting	**–**	2,546
	–	7,201

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

37. SEGMENTAL INFORMATION *(Continued)*

GEOGRAPHICAL INFORMATION

Detailed below is information about the Group's turnover from external customers and information about its non-current assets (excluding trade receivables with extended credit terms and interests in associates), analysed by their geographical location: Group's operations are located in HK and the PRC.

	Turnover from external customers For the year ended 31 December		Non-current assets As at 31 December	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Asia:				
HK	**128,159**	170,295	**1,199**	1,721
Taiwan	**37,391**	75,379	**–**	–
The PRC (other than HK and Taiwan)	**240,433**	292,307	**228,882**	264,088
Japan	**250**	922	**–**	–
Other Asian countries	**36,146**	52,336	**–**	–
Europe:				
Austria	**24,595**	18,631	**–**	–
Holland	**10,798**	19,826	**–**	–
Hungary	**5,348**	1,165	**–**	–
Istanbul	**11,700**	29,599	**–**	–
Switzerland	**25**	6,103	**–**	–
Turkey	**–**	25	**–**	–
Other European countries	**14,632**	14,302	**–**	–
Others	**24,131**	25,031	**–**	–
	533,608	705,921	**230,081**	265,809

INFORMATION ABOUT MAJOR CUSTOMERS

None of the customer contributing over 10% of the total turnover of the Group for the years ended 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

38. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
ASSETS		
Investments in subsidiaries	**128,094**	128,094
Amounts due from subsidiaries (note)	**476,635**	348,123
Other receivables	**32,736**	14,372
Bank balances and cash	**1,969**	71,465
	639,434	562,054
LIABILITIES		
Amounts due to subsidiaries	**536,870**	351,324
Other payables	**3,702**	1,428
Bank borrowings	**–**	62,088
	540,572	414,840
Net assets	**98,862**	147,214
CAPITAL AND RESERVES		
Share capital	**53,074**	53,074
Reserves (note)	**45,788**	94,140
	98,862	147,214

The financial statements were approved and authorised for issue by the Board of Directors on 15 April 2016 and are signed on its behalf by:

Chen Yongsen
Director

Chen Hua
Director

Note:

The amounts due from subsidiaries are non-trade nature, unsecured, interest free and recoverable on demand. Due to the prolonged poor financial performance of the subsidiaries, the carrying amounts due from subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows reference to be generated from the respective subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

38. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note: (continued)

Reserves of the Company:

	Share premium HK$'000	Capital redemption reserve HK$'000	Treasury share HK$'000	Share option reverse HK$'000	Capital contribution reserve HK$'000	Contributed surplus HK$'000	Accumulated (losses)/ profit HK$'000	Total reserves HK$'000
At 1 January 2014	438,042	470	–	12,389	1,893	145,058	(236,285)	361,567
Loss and total comprehensive expense of the year	–	–	–	–	–	–	(379,082)	(379,082)
Issue of shares upon placing	79,511	–	–	–	–	–	–	79,511
Release upon lapse of share option	–	–	–	(480)	–	–	480	–
Recognition of equity-settled share-based payments	–	–	–	32,144	–	–	–	32,144
At 31 December 2014 and 1 January 2015	517,553	470	–	44,053	1,893	145,058	(614,887)	94,140
Loss and total comprehensive expense of the year	–	–	–	–	–	–	(48,352)	(48,352)
Release upon lapse of share option	–	–	–	(17,400)	–	–	17,400	–
At 31 December 2015	517,553	470	–	26,653	1,893	145,058	(645,839)	45,788

Note: The capital contribution surplus of the Company represents the difference between the underlying net assets of Tat Chun Printed Circuit Board Company Limited and Tat Chun PCB International Company Limited acquired by the Company under the group reorganisation and the nominal amount of the ordinary shares issued by the Company in exchange thereof.

39. LITIGATION

(a) In June 2014, Tat Chun Printed Circuit Board Company Limited ("HKTC"), a subsidiary of the Company, received an order from Zhejiang Province Jiaxing Intermediate People's Court ordering HKTC to comply with an arbitral award in the PRC which requires HKTC to make a payment to a customer in the amount of approximately HK$14,701,000 in respect of certain alleged breach of contract.

In view of the possible cash outflow arising from such proceedings, the full amount of the compensation was provided for and recognised as other gains and losses in the consolidated financial statements for the years ended 31 December 2014. HKTC paid the compensation to the customer in full in June 2015.

(b) On 9 December 2014, TC Orient (Jiangsu) Optoelectronic Company Limited (達進東方（江蘇）光電有限公司) ("TC Orient (JS)"), a subsidiary of the Company, received a writ issued by 連雲港市連溧椿基工程有限公司中雲分公司 (the "Plaintiff") against TC Orient (JS) and filed with Lianyungang City Lianyun District People's Court together with the related court summons, whereby the Plaintiff alleged that TC Orient (JS) shall make a payment of RMB1,331,000 (approximately HK$1,662,000) under certain alleged settlement agreement.

In view of the possible cash outflow arising from such proceedings, the full amount of the claim was provided for and recognised as other gains and losses in the consolidated financial statements for the year ended 31 December 2014. In July 2015, Lianyungang City Lianyun District People's Court made an order requiring TC Orient (JS) to make full payment under the claim.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

39. LITIGATION *(Continued)*

(c) PRC COURT ORDERS

On 23 April 2015, Zhongshan Tat Chun Printed Circuit Board Company Limited (中山市達進電子有限公司), a wholly-owned subsidiary of the Company ("**Zhongshan Tat Chun**") received court orders (the "**PRC Court Orders**") issued on 17 April 2015 by the court of Bao An District, Shenzhen City, Guangdong Province, the PRC (the "**Bao An Court**"). Pursuant to the PRC Court Orders, upon the application made by Huang Shuidi (黃水第) ("**Ms. Huang**"), Bao An Court granted a pre-trial injunction to restraint (i) Mr. Chen Jing; (ii) Shenzhen Optoelectronic Industry Holdings Group Company Limited (深圳光電產業控股集團有限公司) (a company whose president is Mr. Chen since 2012) ("**Shenzhen Optoelectronic**"); (iii) Zhongshan Tat Chun; and (iv) Shenzhen City Jin Lai Shun Group Company Limited (深圳市金來順集團有限公司) (a company whose chief executive officer was Mr. Chen from 2007 to 2013) ("**Jin Lai Shun**") from disposing of their assets in the total amount of RMB12,340,000.

According to the PRC Court Orders, the pre-trial injunction was granted in relation to the dispute over the loan transactions between Ms. Huang, Shenzhen Optoelectronic, Mr. Chen, Zhongshan Tat Chun and Jin Lai Shun.

Further details relating to the PRC Court Orders are more particularly set out in the Company's announcement dated 30 April 2015.

(d) THE DEMAND LETTER AND THE PURPORTED GUARANTEES AND INDEMNITY

On 27 April 2015, Tat Chun PCB International Company Limited (a wholly-owned subsidiary of the Company) ("**Tat Chun PCB**") received a demand letter dated 21 April 2015 (the "**Demand Letter**") from a solicitors firm acting on behalf of the Huang Guihua, Wu Qian Hong and Ms. Huang (the "**Lenders**"), alleging that:

1. Zhongshan Tat Chun had purportedly provided seven guarantees (the "**Guarantees**") for securing the repayment of the loans granted by the Lenders to Mr. Chen and Shenzhen Optoelectronic in the total principal amount of RMB$31,000,000.00 (the "**Guaranteed Principal**") and accrued interests RMB8,048,000;

2. Tat Chun PCB and the Company purportedly executed an indemnity dated 11 April 2015 in favour of the Lenders and Mr. Chen Gui Yang (陳貴陽) (the "**Indemnity**"), pursuant to which Tat Chun PCB and the Company purportedly covenanted to pay to the Lenders and Mr. Chen Gui Yang (陳貴陽) the moneys owed to them by Mr. Chen and Shenzhen Optoelectronic in the total sum of RMB77,720,000.00 which consisted of the aggregate principal amount of RMB60,700,000.00 and interest in the aggregate amount of RMB17,020,000.00, such sums included the Guaranteed Principal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

39. LITIGATION *(Continued)*

(d) THE DEMAND LETTER AND THE PURPORTED GUARANTEES AND INDEMNITY *(Continued)*

In the Demand Letter, the law firm acting on behalf of the Lenders demanded Tat Chun PCB to pay to the Lender the sum of RMB39,048,000.00, within 21 days from the date of the Demand Letter.

Further details relating to the Demand Letter, the Guarantees and the Indemnity are more particularly set out in the Company's announcement dated 30 April 2015.

(e) FIRST PETITION AND SECOND PETITION

On 13 May 2015, Tat Chun PCB received a petition for commencing the legal proceedings for its winding up in the High Court of Hong Kong issued by the Lenders (the "**First Petition**"). Further details relating to the First Petition are more particularly set out in the Company's announcement dated 15 May 2015.

The Company as also notified that a second petition dated 13 May 2015 was filed with the High Court of Hong Kong against the Company for its winding up (the "**Second Petition**"). The Second Petition is, again, based on the allegations along the lines of the Demand Letter and the First Petition. Further details relating to the Second Petition are more particularly set out in the Company's announcement dated 9 July 2015.

(f) DISMISSAL OF THE PRC COURT ORDER

Upon the application of Ms. Huang and other plaintiffs, Bao An Court granted orders on 13 August 2015 (the "**Withdrawal Orders**") ordering the withdrawal of the PRC Court Orders and all related pre-trial asset-preserving injunctions and legal proceedings involving Zhongshan Tat Chun, Tat Chun PCB and the Company. According to the Withdrawal Orders, Ms. Huang and other plaintiffs have reached a settlement agreement with the defendants (other than Zhongshan Tat Chun and Tat Chun PCB) and therefore wished to petition to the Bao An Court for withdrawing all proceedings and injunctions against Zhongshan Tat Chun and Tat Chun PCB.

Further details relating to the dismissal of the PRC Court Orders are more particularly set out in the Company's announcement dated 18 August 2015.

(g) DISMISSAL OF THE FIRST PETITION AND SECOND PETITION

Upon the application for consent summons by the petitioners and the Company, the High Court of Hong Kong ordered at a hearing on 31 August 2015 that the First Petition and the Second Petition be dismissed.

Further details relating to the dismissal of the First Petition and the Second Petition are more particularly set out in to the Company's announcement dated 31 August 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries are set out below:

Name of subsidiary	Place of Incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of Nominal value of issued share capitally paid up capital held by the Company				Principal activities
			Directly		Indirectly		
			2015	2014	2015	2014	
Tat Chun PCB International Company Limited 達進電路版國際有限公司	HK	Ordinary shares HK$10,000	**100%**	100%	**–**	–	Investment holding
Tat Chun Printed Circuit Board Company Limited 達進電路版有限公司	HK	Ordinary shares HK$600,000	**100%**	100%	**–**	–	Trading of printed circuit boards
TC Hong Kong Electric Company Limited 達進香港電子有限公司	HK	Ordinary shares HK$1	**100%**	100%	**–**	–	Trading of printed circuit boards
Zhongshan Tat Chun Printed Circuit Board Company Limited 中山市達進電子有限公司	The PRC (note i)	Registered capital HK$236,500,000	**–**	–	**100%**	100%	Manufacturing and trading of printed circuit boards
Guangdong Tat Chun 廣東達進電子科技有限公司	The PRC (note ii & iii)	Registered capital HK$417,676,502 Paid up capital HK$262,678,770	**55.5%**	55.5%	**45.5%**	45.5%	Manufacturing and trading of printed circuit boards
達進東方照明（深圳）有限公司	The PRC (note ii)	Registered capital HK$111,408,000	**–**	–	**70%**	70%	Manufacturing and trading of LED lighting
達進東方能源管理（啟東）有限公司	The PRC (note i)	Registered capital HK$39,000,000	**–**	–	**100%**	100%	Trading of LED lighting

Notes:

(i) The companies are wholly foreign-owned enterprises established in the PRC.

(ii) The company is a sino-foreign equity joint ventures.

(iii) As at 31 December 2015 and 2014, the Group had capital commitment in respect of capital not yet injected into a PRC subsidiary amounted to HK$154,997,732.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

Details of 達進東方照明（深圳）有限公司 (“**TC Orient (SZ)**”), non-wholly owned subsidiary with material non-controlling interests, and other individually immaterial subsidiaries with non-controlling interests are set out below.

	2015 **HK$'000**	2014 HK$'000
Loss allocated to non-controlling interest of TC Orient (SZ)	**3,100**	4,270
Individually immaterial subsidiaries	**106**	277
	3,206	4,547
Accumulated non-controlling interests TC Orient (SZ)	**10,808**	13,563
Individually immaterial subsidiaries	**(5,885)**	(5,096)
	4,923	8,467

Summarised financial information in respect to TC Orient (SZ) is set out below. The summarised financial information below represents the amounts before intra-group eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

TC ORIENT (SZ)

	2015 **HK$'000**	2014 HK$'000
Current assets	**291,519**	306,346
Non-current assets	**121,339**	145,847
Current liabilities	**(364,113)**	(394,257)
Total equity	**48,745**	57,936
Revenue	**5,797**	30,451
Expenses	**(16,129)**	(44,275)
Loss for the year	**(10,332)**	(13,824)
Other comprehensive (expense)/income for the year	**(4,240)**	239
Total comprehensive expense for the year	**(14,572)**	(13,585)
Net cash (outflow)/inflow from operating activities	**(538)**	8,484
Net cash inflow from investing activities	**24**	1,996
Net cash outflow from financing activities	**(7,721)**	(16,636)
Net cash outflow	**(8,235)**	(6,156)

FINANCIAL SUMMARY

For the year ended 31 December 2015

RESULTS

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	1,194,521	835,501	676,207	705,921	**533,608**
Profit/(loss) for the year	71,013	(281,307)	(316,588)	(116,419)	**(84,431)**

ASSETS AND LIABILITIES

	As at 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,863,030	1,336,911	1,089,863	1,141,123	**980,210**
Total liabilities	(893,914)	(639,784)	(684,385)	(759,444)	**(694,715)**
Total equity	969,116	697,127	405,478	381,679	**285,495**
Equity attributable to owners of the Company	900,199	675,314	392,601	373,212	**280,572**
Non-controlling interests	68,917	21,813	12,877	8,467	**4,923**
	969,116	697,127	405,478	381,679	**285,495**