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TC ORIENT LIGHTING HOLDINGS LIMITED

達進東方照明控股有限公司

(Incorporated in the Cayman Islands with limited liability)

website: www.tatchun.com

(Stock Code: 515)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board (the “**Board**”) of directors (the “**Directors**”) is pleased to announce the unaudited consolidated interim results of TC Orient Lighting Holdings Limited (the “**Company**”) and its subsidiaries (collectively known as the “**Group**”) for the six months ended 30 June 2016.

The unaudited condensed consolidated financial information for the six months ended 30 June 2016 have been reviewed by the Group’s auditors, HLB Hodgson Impey Cheng Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2016

		For the six months ended 30 June	
	<i>Notes</i>	2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	187,940	290,349
Cost of sales		<u>(175,396)</u>	<u>(257,553)</u>
Gross profit		12,544	32,796
Other income		8,623	15,260
Other gains and losses		(3,860)	(2,670)
Selling and distribution expenses		(13,709)	(16,710)
Administrative expenses		(43,282)	(79,792)
Finance costs		<u>(5,112)</u>	<u>(6,780)</u>
Loss before tax		(44,796)	(57,896)
Income tax expense	4	<u>(222)</u>	<u>(28)</u>
Loss for the period	5	<u><u>(45,018)</u></u>	<u><u>(57,924)</u></u>
Other comprehensive income/(expense):			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation of owner-occupied properties		–	–
Deferred tax liabilities arising from revaluation of properties		–	–
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>2,271</u>	<u>(319)</u>
Total comprehensive expense for the period		<u><u>(42,747)</u></u>	<u><u>(58,243)</u></u>
Loss for the period attributable to:			
Owners of the Company		<u>(44,735)</u>	(56,180)
Non-controlling interests		<u>(283)</u>	<u>(1,744)</u>
		<u><u>(45,018)</u></u>	<u><u>(57,924)</u></u>

		For the six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
<i>Notes</i>		(unaudited)	(unaudited)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(42,425)	(56,405)
Non-controlling interests		<u>(322)</u>	<u>(1,838)</u>
		<u>(42,747)</u>	<u>(58,243)</u>
			(restated)
Loss per share (HK cents)			
— Basic and diluted		7 <u>(6.79)</u>	<u>(9.00)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Notes</i>	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		195,344	211,111
Prepaid lease payments			
— non-current portion		18,536	18,844
Interest in associates		12,500	12,500
Trade receivables with extended credit terms	<i>8(a)</i>	46,424	50,055
Deposits paid for acquisition of property, plant and equipment		—	126
		272,804	292,636
Current assets			
Inventories		53,486	54,025
Prepaid lease payments — current portion		615	615
Trade and other receivables	<i>8(a)</i>	359,671	485,376
Bills receivable	<i>8(b)</i>	10,502	2,752
Pledged bank deposits		87,934	85,737
Bank balances, deposits and cash		91,348	43,789
		603,556	672,294
Assets classified as held for sale		15,280	15,280
		618,836	687,574
Current liabilities			
Trade and other payables	<i>9(a)</i>	301,541	344,945
Bills payable	<i>9(b)</i>	92,432	135,146
Taxation payable		75,667	75,712
Bank borrowings — due within one year		141,202	121,657
Obligations under finance leases — due within one year		225	298
		611,067	677,758
Net current assets		7,769	9,816
Total assets less current liabilities		280,573	302,452

		30 June 2016	31 December 2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Obligation under finance leases			
— due after one year		113	225
Deferred taxation		16,732	16,732
		<u>16,845</u>	<u>16,957</u>
Net assets		<u>263,728</u>	<u>285,495</u>
Capital and reserves			
Share capital	<i>10</i>	63,689	53,074
Reserves		195,438	227,498
		<u>259,127</u>	<u>280,572</u>
Equity attributable to owners of the Company		4,601	4,923
Non-controlling interests		<u>263,728</u>	<u>285,495</u>
Total equity		<u>263,728</u>	<u>285,495</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

Statement of compliance

The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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

The Interim Financial Statements has been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The Group has adopted the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 10, HKFRS 12 and HKFRS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKFRS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The adoption of the revised HKFRSs has had no significant financial effect on these Interim Financial Statements and there have been no significant changes to the accounting policies applied in these Interim Financial Statements.

3. SEGMENT INFORMATION

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

	For the six months ended	
	30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Segment turnover — external sales		
Manufacturing and trading of single-sided printed circuit boards ("PCB") ("Single-sided PCB")	44,167	90,978
Manufacturing and trading of double-sided PCB ("Double-sided PCB")	70,214	104,600
Manufacturing and trading of multi-layered PCB ("Multi-layered PCB")	56,879	91,798
Manufacturing and trading of light emitting diode ("LED") lighting ("LED lighting")	16,680	2,973
	<u>187,940</u>	<u>290,349</u>
Segment loss		
Single-sided PCB	(7,862)	(12,293)
Double-sided PCB	(12,498)	(17,379)
Multi-layered PCB	(10,125)	(12,717)
LED lighting	(10,304)	(9,343)
	<u>(40,789)</u>	<u>(51,732)</u>
Other income	1,716	2,645
Central administrative costs	(611)	(2,029)
Finance costs	(5,112)	(6,780)
	<u>(44,796)</u>	<u>(57,896)</u>

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) and finance costs. This is the measure reported to the Group's Chairman, who is the chief operating decision maker, for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	For the six months ended	
	30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	222	28
	<u>222</u>	<u>28</u>

No provision for Hong Kong Profits Tax has been made for both periods as the Group had no assessable profit.

The PRC EIT is calculated at 15% to 25% relevant to the PRC subsidiaries where applicable.

5. LOSS FOR THE PERIOD

Loss for the period has been arrived after charging/(crediting) the following items:

	For the six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors' emoluments	3,098	24,072
Other staff costs	59,378	74,759
Total staff costs	62,476	98,831
Amortisation of prepaid lease payments	308	308
Depreciation of property, plant and equipment	13,039	13,818
Reversal of impairment loss previously recognised on trade receivables	–	(338)
Bad debts recovered of trade receivables with extended credit terms	–	(400)
Imputed interest income on trade receivables with extended credit terms (included in other income)	(2,112)	(2,980)
Interest income on bank deposits and bank balances (included in other income)	(1,315)	(2,482)
Sales of scrap materials (included in other income)	(4,723)	(9,498)
Government grants (<i>note</i>)	(155)	(58)

Note: Government grants were granted to the Group as subsidies to support the PRC subsidiaries. The government grants had no conditions or contingencies attached to them and they were non-recurring in nature.

6. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2015: nil).

The Directors of the Company have determined that no dividend will be paid in respect of the interim period.

7. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share:		
Loss for the period attributable to owners of the Company	<u>(44,735)</u>	<u>(56,180)</u>
	'000	'000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>658,908</u>	<u>623,914</u>

Note: The above figure has been reclassified to conform to the current period's presentation or restated to disclose the impact of open offer.

The calculation of the diluted loss per share for the periods ended 30 June 2016 and 2015 did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

8. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

Included in trade and other receivables was trade receivables of approximately HK\$290,042,000 (31 December 2015: HK\$327,349,000) as follows:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Trade receivables with normal credit terms	119,412	152,337
Less: Allowance for doubtful debts	<u>–</u>	<u>(1,451)</u>
	119,412	150,886
Trade receivables with extended credit terms	<u>170,630</u>	<u>176,463</u>
Total trade receivables, net of allowance for doubtful debts	290,042	327,349
Less: Non-current portion of trade receivables with extended credit terms	<u>(46,424)</u>	<u>(50,055)</u>
Current portion of trade receivables	<u>243,618</u>	<u>277,294</u>

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 LED lighting customers with extended credit terms which is based on the contractual repayment schedule. The following is an aged analysis of trade receivables with normal credit terms and trade receivables with extended credit terms, net of allowance for doubtful debts, respectively, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	Extended credit terms		Normal credit terms		Total	
	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
0-30days	11,977	362	31,660	40,846	43,637	41,208
31-60 days	-	-	27,439	33,723	27,439	33,723
61-90 days	-	-	27,356	31,325	27,356	31,325
91-180 days	-	1,094	31,280	41,926	31,280	43,020
Over 180 days	158,653	175,007	1,677	3,066	160,330	178,073
	<u>170,630</u>	<u>176,463</u>	<u>119,412</u>	<u>150,886</u>	<u>290,042</u>	<u>327,349</u>

(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:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
0-30 days	1,465	2,739
31-60 days	713	-
61-90 days	3,012	13
91-180 days	2,537	-
Over 180 days	2,775	-
	<u>10,502</u>	<u>2,752</u>

9. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and other payables

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
0-30 days	26,914	24,949
31-60 days	16,972	20,600
61-90 days	20,082	13,663
91-180 days	33,127	49,236
Over 180 days	53,454	58,737
	<u>150,549</u>	<u>167,185</u>
Other payables	121,242	148,589
Accrued salaries and other accrued charges	29,750	29,171
	<u>301,541</u>	<u>344,945</u>

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

(b) Bills payable

The aged analysis of bills payable is as follows:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
0-30 days	10,435	51,012
31-60 days	8,929	5,814
61-90 days	7,262	8,328
91-180 days	65,806	69,992
	<u>92,432</u>	<u>135,146</u>

10. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 31 December 2015 and 30 June 2016	2,000,000	200,000
Issued and fully paid:		
At 1 January 2015 and 31 December 2015	530,740	53,074
Issue of shares upon subscription of new shares (Note)	106,148	10,615
At 30 June 2016	636,888	63,689

Note: On 21 June 2016, an aggregate of 106,147,960 new shares were issued and allotted to the subscribers at the subscription price of HK\$0.198 per subscription share. Detail of which were disclosed in the Company's announcement dated 14 June 2016 and 21 June 2016.

11. EVENT AFTER THE END OF THE REPORTING PERIOD

On 25 May 2016, the Company entered into an underwriting arrangement with an underwriter in relation to an open offer at the subscription price of HK\$0.10 per offer share on the basis of one offer share for every two existing shares. On 25 July 2016, 265,369,901 offer shares were issued by way of open offer at a price of HK\$0.10 per share. The net proceeds from the open offer are in the amount of approximately HK\$25,004,000.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation or restated to disclose the impact of open offer. These reclassifications have no impact on the Group's loss for the six months ended 30 June 2015 and the Group's total equity as at 30 June 2015.

BUSINESS REVIEW

During the period under 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:

	2016		2015		Increase/ (decrease) HK\$'000	Change in %
	HK\$'000	%	HK\$'000	%		
LED lighting	16,680	8.9	2,973	1.0	13,707	461.0
Single-sided PCB	44,167	23.5	90,978	31.3	(46,811)	(51.5)
Double-sided PCB	70,214	37.3	104,600	36.0	(34,386)	(32.9)
Multi-layered PCB	56,879	30.3	91,798	31.7	(34,919)	(38.0)
Total	<u>187,940</u>	<u>100.0</u>	<u>290,349</u>	<u>100.0</u>	<u>(102,409)</u>	<u>(35.3)</u>

Revenue from LED lighting business for the six months ended 30 June 2016 increased by 461% as compared to the corresponding period of last year.

The three categories of PCB products are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the period, single and double-sided PCB's used for consumer electronics accounted for approximately 60.8% of the Group's turnover. High-end multi-layered PCBs were also a core product of the Group, accounting for 30.3% of turnover.

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

	2016		2015		Increase/ (decrease) HK\$'000	Change in %
	HK\$'000	%	HK\$'000	%		
Hong Kong	40,424	21.5	68,908	23.7	(28,484)	(41.3)
The PRC	100,310	53.4	134,082	46.2	(33,772)	(25.2)
Asia (Excluding Hong Kong and the PRC)	18,702	10.0	42,171	14.5	(23,469)	(55.7)
Europe	23,009	12.2	32,409	11.2	(9,400)	(29.0)
Others	5,495	2.9	12,779	4.4	(7,284)	(57.0)
Total	<u>187,940</u>	<u>100</u>	<u>290,349</u>	<u>100.0</u>	<u>(102,409)</u>	<u>(35.3)</u>

During the period under review, revenue largely decreased, as there were keen competition in the PCB Industry.

FINANCIAL REVIEW

For the period under review, the Group's turnover amounted to approximately HK\$187.9 million, representing a decrease of 35.3% as compared to approximately HK\$290.3 million for the corresponding period last year. The turnover of LED lighting has increased by 461.0% when compared with the same period in 2015. The gross profit margin for the six months ended 30 June 2016 was 7.0%. The gross profit margins for LED lighting and PCBs were 35.4% and 4.3% respectively.

The turnover and gross profit margin for PCB business decreased, mainly attributable to (i) more severe competition in PCB industry; and (ii) reduction in average selling price of PCBs.

Loss attributable to shareholders was approximately HK\$44.7 million (2015: HK\$56.2 million).

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2016, the Group had total assets of approximately HK\$891.6 million (31 December 2015: HK\$980.2 million) and interest-bearing borrowings of approximately HK\$141.5 million (31 December 2015: HK\$122.2 million), representing a gearing ratio (defined as interest-bearing borrowings over total assets) of approximately 15.9% (31 December 2015: 12.5%).

The Group had net current assets of approximately HK\$7.8 million (31 December 2015: HK\$9.8 million) consisted of current assets of approximately HK\$618.8 million (31 December 2015: HK\$687.6 million) and current liabilities of approximately HK\$611.1 million (31 December 2015: HK\$677.8 million), representing a current ratio of approximately 1.01 (31 December 2015: 1.01).

As at 30 June 2016, the Group had cash and bank balances (including pledged bank deposits) of approximately HK\$179.3 million (31 December 2015: HK\$129.5 million). As at 30 June 2016, the Group had bank balances, deposit and cash of approximately HK\$91.3 million (31 December 2015: HK\$43.8 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\$**”) is 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 consider using forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

DIVIDENDS

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

HUMAN RESOURCES

As at 30 June 2016, the Group employed a total of approximately 1,373 employees (31 December 2015: 1,687), including approximately 1,300 employees in its Zhongshan production site, 49 employees in its PRC LED business units and approximately 24 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 intends to hold regular training programmes and encourages staffs to attend training courses and seminars that are related directly or indirectly to the Group's business.

CORPORATE STRATEGY

The primary objective of the Company is to enhance long-term total return for our shareholders. To achieve this objective, the Group's strategy is to place equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. The Management Discussion and Analysis contain discussions and analysis of the Group's performance and the basis on which the Group generates or preserves value over the longer term and the basis on which the Group will execute its strategy for delivering the Group's objective.

FUND RAISING ACTIVITIES

(a) Issuance by way of open offer of 265,369,901 shares at HK\$0.10

As announced by the Company on 25 May 2016, the Company entered into an underwriting agreement dated 25 May 2016 with an underwriter in relation to the underwriting of 265,369,901 ordinary shares of the Company to be issued by way of open offer on the basis of one offer share for every two existing shares at the subscription price of HK\$0.10. The open offer has become unconditional on 18 July 2016, with 208,632,002 offer shares taken up by qualifying shareholders and 56,737,899 untaken offer shares being allotted and issued to sub-underwriters and subscribers under procurement of the underwriter in performance of its underwriting obligations.

The gross and net proceeds from the open offer were approximately HK\$26.5 million and HK\$25 million, respectively. The Company intends to apply the net proceeds from the open offer for settlement of the Group's current liabilities as they fall due.

(b) Subscriptions of 106,147,960 shares at HK\$0.198

As announced by the Company on 14 June 2016, the Company entered into subscription agreements with thirteen subscribers in relation to the subscriptions of 106,147,960 ordinary shares of the Company at the placing price of HK\$0.198. The subscriptions were carried out under the general mandate approved by the Company's shareholders at the annual general meeting held on 11 April 2016. Completion of the subscriptions took place on 21 June 2016, with 106,147,960 ordinary shares of the Company allotted and issued to the thirteen subscribers.

The gross and net proceeds from the subscriptions were approximately HK\$21.02 million and HK\$20.92 million, respectively. It is intended that such net proceeds will be used by the Company for settlement of the Group's current liabilities as they fall due. As of 30 June 2016, the entire amount of the net proceeds from the subscriptions remained unutilized.

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 and 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) Expansion into 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 Group is seeking to expand into the overseas market of street light. 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 the Group has started to apply in Mainland China projects.

(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.

B. Extension of our technology to Special Lighting Design

As explained above, the Group has specialised experience in SLD. The potential of applying our existing researches is also vital to the Group’s development in the LED lighting sectors. As a result, the Group has continued to research the applications which could utilise our existing technology to further develop our product range.

The Group believes that the special LED sector is expected to grow in demand 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 China and overseas markets.

The Group plans to specialise in certain product range in order to tap the market trend in the future. 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 future with the view to improving our performance in the LED lighting sector.

2. Group Strategic Move and Prospects in PCB Segment

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 in the 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 division, 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.

CHARGE OF ASSETS

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

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Buildings	138,308	140,834
Plant and machinery	–	860
Pledged bank deposits	87,934	85,737
Prepaid lease payments	19,151	19,459
	<u>245,393</u>	<u>246,890</u>

LITIGATIONS

The Company was informed by its legal advisers that a writ of summons dated 10 May 2016 under Hong Kong High Court Action No. 1228/2016 (the “**Legal Action**”) was filed by Mr. Li Jian Chao (“**Mr. Li**”) seeking to claim from the Company an alleged outstanding special bonus payment in the amount of HK\$1,640,000. Mr. Li was formerly the chief executive officer and executive director the Company before he resigned on 5 June 2015.

On 12 July 2016, the Company filed a defence and counterclaim against Mr. Li (the “**Counterclaim**”), whereby the Company denied (inter alia) that Mr. Li is entitled to the alleged amount and counterclaimed from Mr. Li (inter alia) a total sum of HK\$5,224,000, being wrongful receipts by Mr. Li based on certain invalid resolutions purportedly passed by the Board between 31 December 2014 and 4 June 2015, and/or damages for breach of fiduciary duties by Mr. Li when he was a director of the Company between 1 September 2014 and 5 June 2015.

The Company will continue to uphold its rights in the Legal Action and the Counterclaim. In the meantime, the Board considers that the Legal Action and the Counterclaim are unlikely to result in any material adverse effect to the Company’s operations or financial position.

Further details relating to the Legal Action and the Counterclaim are more particularly set out in the Company’s announcements dated 13 May and 14 July 2016.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company’s Listed Securities

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of its own listed securities.

Compliance with the Code of Corporate Governance Practices

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**”) during the six months from 1 January 2016 to 30 June 2016, except the deviation disclosed in the following paragraph:

- (i) In relation to A.6.7 of the CG Code, independent non-executive directors should attend the annual general meeting of the Company. Mr. Zhang Xiaofei and Mr. Ye Ji Li, did not attend the annual general meeting of the Company held on 29 June 2016 as they were out of town for other businesses.

The Board continues to monitor and review the Company’s corporate governance practices to ensure compliance.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”)

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. All existing directors have confirmed to the Company that they have complied with the Model Code during the six months ended 30 June 2016.

Audit Committee

As at 30 June 2016, the Audit Committee of the Company (the “**AC**” or the “**Audit Committee**”) comprised the four independent non-executive Directors, namely, Mr. Anson Poon Wai Kong, and Mr. Poon Chi-Choy, Sonny, Mr. Zhang Xiaofei and Mr. Ye Ji Li. Mr. Ye Ji Li was appointed as a member of the AC on 11 April 2016.

After the end of period under review, Mr. Zhang Xiaofei ceased to be a member of the AC and Mr. Li Hongxiang was appointed as a member of the AC with effect from 4 July 2016. Therefore, as at the date of this report, the AC comprised of four independent non-executive Directors, namely, Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, Mr. Ye Ji Li and Mr. Li Hongxiang.

One out of four AC members, namely Mr. Anson Poon Wai Kong, possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. Throughout the period under review and up to the date of this report, Mr. Anson Poon Wai Kong is the chairman of the 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.

The Group's unaudited financial statements for the six months ended 30 June 2016 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.

By Order of the Board of
TC Orient Lighting Holdings Limited
CHEN YONGSEN
Chairman

Hong Kong, 26 August 2016

As at the date hereof, the executive Directors are Mr. Chen Yongsen (Chairman), Mr. Wang Shi Jin (Chief Executive Officer), Mr. Chen Hua and Mr. Wong Wing Choi; and the independent non-executive Directors are Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, Mr. Ye Ji Li and Mr. Li Hongxiang.