



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

Interim Report

**2016**

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## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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**Hodgson Impey Cheng Limited**

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### **INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF TC ORIENT LIGHTING HOLDINGS LIMITED** *(incorporated in Cayman Islands with limited liability)*

We have reviewed the interim financial information set out on pages 2 to 19, which comprises the condensed consolidated statement of financial position of TC Orient Lighting Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) at 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**HLB Hodgson Impey Cheng Limited**  
Certified Public Accountants

**Hon Koon Fai, Alex**  
Practising Certificate Number P05029

Hong Kong, 26 August 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. These interim condensed consolidated financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng Limited, the Group's external auditors, and the Audit Committee.

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

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Turnover	3	<b>187,940</b>	290,349
Cost of sales		<b>(175,396)</b>	(257,553)
<b>Gross profit</b>		<b>12,544</b>	32,796
Other income		<b>8,623</b>	15,260
Other gains and losses		<b>(3,860)</b>	(2,670)
Selling and distribution expenses		<b>(13,709)</b>	(16,710)
Administrative expenses		<b>(43,282)</b>	(79,792)
Finance costs		<b>(5,112)</b>	(6,780)
<b>Loss before tax</b>		<b>(44,796)</b>	(57,896)
Income tax expense	4	<b>(222)</b>	(28)
<b>Loss for the period</b>	5	<b>(45,018)</b>	(57,924)
<b>Other comprehensive income/(expense):</b>			
<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		<b>2,271</b>	(319)
<b>Total comprehensive expense for the period</b>		<b>(42,747)</b>	(58,243)

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

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Loss for the period attributable to:</b>			
Owners of the Company		(44,735)	(56,180)
Non-controlling interests		(283)	(1,744)
		<b>(45,018)</b>	(57,924)
<b>Total comprehensive expense for the period attributable to:</b>			
Owners of the Company		(42,425)	(56,405)
Non-controlling interests		(322)	(1,838)
		<b>(42,747)</b>	(58,243)
Loss per share (HK cents)			(restated)
— Basic and diluted	7	<b>(6.79)</b>	(9.00)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	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	9(a)	46,424	50,055
Deposits paid for acquisition of property, plant and equipment		—	126
		<b>272,804</b>	292,636
<b>Current assets</b>			
Inventories		53,486	54,025
Prepaid lease payments — current portion		615	615
Trade and other receivables	9(a)	359,671	485,376
Bills receivable	9(b)	10,502	2,752
Pledged bank deposits		87,934	85,737
Bank balances, deposits and cash		91,348	43,789
		<b>603,556</b>	672,294
Assets classified as held for sale	10	15,280	15,280
		<b>618,836</b>	687,574
<b>Current liabilities</b>			
Trade and other payables	11(a)	301,541	344,945
Bills payable	11(b)	92,432	135,146
Taxation payable		75,667	75,712
Bank borrowings — due within one year	12	141,202	121,657
Obligations under finance leases — due within one year		225	298
		<b>611,067</b>	677,758
<b>Net current assets</b>		<b>7,769</b>	9,816
<b>Total assets less current liabilities</b>		<b>280,573</b>	302,452

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(continued)**As at 30 June 2016*

	Notes	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Obligation under finance leases			
— due after one year		113	225
Deferred taxation		16,732	16,732
		16,845	16,957
<b>Net assets</b>			
		263,728	285,495
<b>Capital and reserves</b>			
Share capital	13	63,689	53,074
Reserves		195,438	227,498
Equity attributable to owners of the Company		259,127	280,572
Non-controlling interests		4,601	4,923
<b>Total equity</b>			
		263,728	285,495

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Treasury share HK\$'000	Property revaluation reserve HK\$'000	The people's Republic of China (the "PRC") statutory reserve HK\$'000	Special reserve HK\$'000	Share option reserve HK\$'000	Capital contribution reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2015 (audited)	53,074	517,553	470	-	54,532	15,003	1,156	44,053	1,893	15,779	(350,301)	373,212	8,467	381,679
Loss for the period	-	-	-	-	-	-	-	-	-	-	(56,180)	(56,180)	(1,744)	(57,924)
Exchange differences arising on translation	-	-	-	-	-	-	-	-	-	(225)	-	(225)	(94)	(319)
Total comprehensive expense for the period	-	-	-	-	-	-	-	-	-	(225)	(56,180)	(56,405)	(1,838)	(58,243)
Release upon forfeiture/false share options	-	-	-	-	-	-	-	(939)	-	-	939	-	-	-
At 30 June 2015 (unaudited)	53,074	517,553	470	-	54,532	15,003	1,156	43,114	1,893	15,554	(385,542)	316,807	6,629	323,436



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**  
*For the six months ended 30 June 2016*

	The people's Republic of China													
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Treasury share HK\$'000	Property revaluation reserve HK\$'000	Statutory reserve HK\$'000	Special reserve HK\$'000	Share option reserve HK\$'000	Capital contribution reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2016 (audited)	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
Loss for the period	-	-	-	-	-	-	-	-	-	-	(44,735)	(44,735)	(283)	(45,018)
Exchange differences arising on translation	-	-	-	-	-	-	-	-	-	2,310	-	2,310	(89)	2,271
Total comprehensive income/ (expense) for the period	-	-	-	-	-	-	-	-	-	2,310	(44,735)	(42,425)	(322)	(42,747)
Issue of shares upon subscriptions of new shares	10,615	10,403	-	-	-	-	-	-	-	-	-	21,018	-	21,018
Transaction cost of issue of share upon subscription of new shares	-	(38)	-	-	-	-	-	-	-	-	-	(38)	-	(38)
Lapsed/forfeited of the share option	-	-	-	-	-	-	-	(76)	-	-	76	-	-	-
At 30 June 2016 (unaudited)	63,689	527,918	470	-	48,282	15,003	1,156	26,577	1,893	12,924	(438,785)	259,127	4,601	263,728

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net cash inflow/(outflow) from operating activities	<b>11,038</b>	(15,560)
Net cash (used in)/generated from investing activities:		
Withdrawal of pledged bank deposits	<b>92,390</b>	107,517
Placement of pledged bank deposits	<b>(94,587)</b>	(38,745)
Purchase of property, plant and equipment	<b>(96)</b>	(1,728)
Other investing cash flows	<b>1,315</b>	2,482
	<b>(978)</b>	69,526
Net cash generated from/(used in) financing activities:		
Bank borrowings raised	<b>141,202</b>	91,725
Repayment of bank borrowings	<b>(121,657)</b>	(209,043)
Interest paid	<b>(5,112)</b>	(6,780)
Repayment of obligations under finance leases	<b>(185)</b>	(182)
Net proceeds from issue of shares upon subscriptions of new shares	<b>20,980</b>	–
	<b>35,228</b>	(124,280)
Net increase/(decrease) in cash and cash equivalents	<b>45,288</b>	(70,314)
Cash and cash equivalents at 1 January	<b>43,789</b>	167,319
Effect of foreign exchange rate changes	<b>2,271</b>	(319)
Cash and cash equivalents at 30 June, represented by bank balances, deposits and cash	<b>91,348</b>	96,686

# NOTES TO THE 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 Interim 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 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Segment turnover — external sales</b>		
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
<b>Total</b>	<b>187,940</b>	<b>290,349</b>
<b>Segment loss</b>		
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)
	<b>(40,789)</b>	<b>(51,732)</b>
Other income	1,716	2,645
Central administrative costs	(611)	(2,029)
Finance costs	(5,112)	(6,780)
<b>Loss before tax</b>	<b>(44,796)</b>	<b>(57,896)</b>

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 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	222	28

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

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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group's buildings classified as property, plant and equipment were revalued by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group. The buildings were revalued at depreciated replacement cost approach.

During the six months ended 30 June 2016, the Group paid HK\$96,000 (six months ended 30 June 2015: HK\$1,728,000) on acquisition of property, plant and equipment.

No any impairment loss (six months ended 30 June 2015: Nil) was recognised during the current interim period in respect of obsolete production machinery.

## 9. 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:

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

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)
0–30 days	<b>11,977</b>	362	<b>31,660</b>	40,846	<b>43,637</b>	41,208
31–60 days	–	–	<b>27,439</b>	33,723	<b>27,439</b>	33,723
61–90 days	–	–	<b>27,356</b>	31,325	<b>27,356</b>	31,325
91–180 days	–	1,094	<b>31,280</b>	41,926	<b>31,280</b>	43,020
Over 180 days	<b>158,653</b>	175,007	<b>1,677</b>	3,066	<b>160,330</b>	178,073
	<b>170,630</b>	176,463	<b>119,412</b>	150,886	<b>290,042</b>	327,349

## 9. 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:

	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	–
	10,502	2,752

## 10. 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 which is held under medium lease terms and is situated in the PRC at the end of the reporting period (as at 31 December 2015: HK\$15,280,000). The transaction has not yet been completed at the end of the reporting period and control has not yet been passed to the buyer.



## 11. 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
	<b>150,549</b>	167,185
Other payables	121,242	148,589
Accrued salaries and other accrued charges	29,750	29,171
	<b>301,541</b>	344,945

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
	<b>92,432</b>	135,146

## 12. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to HK\$141,202,000 (six months ended 30 June 2015: HK\$91,725,000) which were secured by the assets of the Group as disclosed in note 16. The new loans bear fixed interest at rate from 2.16% to 4.785% per annum, the effective interest rate for fixed interest rate were 4.32% (six months ended 30 June 2015: 1.71% to 5.40%) per annum. The proceeds are used to finance the operations of the Group.

**13. SHARE CAPITAL**

	Number of shares '000	Share capital HK\$'000
<b>Ordinary shares of HK\$0.1 each</b>		
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.

**14. SHARE OPTION SCHEME**

The Company's share option scheme was adopted on 5 June 2006 for the purpose of providing incentives to directors, employees, consultants and advisers of the Company or the Group and to promote the success of the business of the Group.

No share options were granted or exercised during both interim periods.

During the current interim period, 108,000 (six months ended 30 June 2015: 1,320,000) share options lapsed or were forfeited.

**15. CAPITAL COMMITMENTS**

At 30 June 2016, the Group has no commitment (as at 31 December 2015: Nil) in respect of the acquisition of property, plant and equipment contracted for but not provided in the Interim Financial Statements.

**16. PLEDGE 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
	<b>245,393</b>	246,890

## 17. RELATED PARTY DISCLOSURES

**Compensation of key management personnel**

The remuneration of key management for the Group (representing directors) during the period under review are set out as follows:

	For the six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	3,050	24,013
Post-employment benefits	48	59
Share-based payments	–	–
	<b>3,098</b>	24,072

**Related party transactions**

The Group's outstanding balance with related parties are as below:

- 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 (as at 31 December 2015: HK\$3,888,000) from Orient Opto-Semiconductors Corp. ("Dongfang"), a non-controlling interest of a PRC subsidiary of the Company and controlled by Mr. Zhu Jianqin, who is a Director of the Company. Amounts are unsecured, interest-free and repayable on demand.
- 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 30 June 2016 (as at 31 December 2015: HK\$25,857,000). Mr. Chen Jing was a substantial shareholder of Company and was a director of the Company and resigned on 5 June 2015 and is a director of 世紀安耐.
- As at 30 June 2016, the Group's other receivables included an amount of approximately HK\$907,000 (as at 31 December 2015: HK\$915,000) due from 江蘇金來順光電科技有限公司("江蘇金來順"). Mr. Chen Jing, was a substantial shareholder of Company and was a director of the Company and resigned on 5 June 2015 and was a general manager of 江蘇金來順.
- As at 30 June 2016, TC Orient Lighting (Shenzhen) Limited (the "TC Shenzhen"), a subsidiary of the Company had a loan receivable (the "Loan") from Mr. Chen. The loan amount of approximately RMB3,000,000 (HK\$3,750,000) (as at 31 December 2015: RMB3,000,000 (HK\$3,750,000)) was included in other receivables and related interest receivable amount of approximately HK\$100,000 (as at 31 December 2015: HK\$95,000) as at 30 June 2015. Mr. Chen Jing was a substantial shareholder of the Company and was a Director of the Company and resigned on 5 June 2015.
- The Company had a supply contract with Shenzhen Tronsin Illuminating Technique Ltd. ("Tronsin") for the sum of approximately HK\$1,600,000 (as at 31 December 2015: HK\$1,600,000) included in the other receivables as at 30 June 2016. 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.

## 18. LITIGATION

- (a) On 9 December 2014, TC Orient (Jiangsu) Optoelectronic Company Limited (連進東方(江蘇)光電有限公司) ("TC Orient (JS)", a subsidiary of the Company, received a writ issued by 連雲港市連溧樁基工程有限公司中雲分公司 (the "Plaintiff") against TC Orient (JS) and filed with Lianyungang City Lianyung 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 Lianyung District People's Court made an order requiring TC Orient (JS) to make full payment under the claim.

- (b) 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.

## 19. 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.

## 20. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

**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:

	For the six months ended 30 June					
	2016		2015		Increase/ (decrease)	Change in
	HK\$'000	%	HK\$'000	%		
LED lighting	<b>16,680</b>	<b>8.9</b>	2,973	1.0	13,707	461.0
Single-sided PCB	<b>44,167</b>	<b>23.5</b>	90,978	31.3	(46,811)	(51.5)
Double-sided PCB	<b>70,214</b>	<b>37.3</b>	104,600	36.0	(34,386)	(32.9)
Multi-layered PCB	<b>56,879</b>	<b>30.3</b>	91,798	31.7	(34,919)	(38.0)
<b>Total</b>	<b>187,940</b>	<b>100.0</b>	290,349	100.0	(102,409)	(35.3)

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:

	For the six months ended 30 June					
	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)
<b>Total</b>	<b>187,940</b>	<b>100</b>	<b>290,349</b>	<b>100.0</b>	<b>(102,409)</b>	<b>(35.3)</b>

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) 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 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

Details of the charge of assets are set out in note 16 to the financial statements.

## 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 Counterclaim are more particularly set out in the Company's announcements dated 13 May and 14 July 2016.

## OTHER INFORMATION

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

As at 30 June 2016, 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:

**Interest in shares:**

Names 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%
Chen Hua	Interest in controlled corporation (Note 2)	108,000,000	16.96%

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 as of 20 May 2015 and representing 24.17% of the issued share capital of the Company as of 20 May 2015.

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 Xiangen.

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 30 June 2016.

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

As at 30 June 2016, 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	16.96%
Li Xiangen (Note 2)	Interest in controlled corporation	108,000,000	16.96%
China Angel Investment Management Ltd. (Note 3)	Beneficial Owner	230,369,901	27.58%

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 relevant person, these 108,000,000 Shares were held by Able Turbo Enterprises Limited, which is a company 60.31% owned by Mr. Chen Hua and 39.69% owned by Mr. Li Xiangen.

Note 3: As announced by the Company on 25 May 2016, the Company undertook an open offer (the “**Open Offer**”) which was fully underwritten by China Sky Securities Limited (“**China Sky**”) for up to 278,411,834 Shares issuable under the Open Offer (“**Offer Shares**”). Based on information provided by China Sky, pursuant to a sub-underwriting agreement dated 30 May 2016, China Sky in turn offered to China Angel Investment Management Limited (“**China Angel**”) a sub-underwriting participation in respect of 230,369,901 Offer Shares. Therefore, to the best of the Company’s knowledge and belief, China Angel’s deemed interest in these 230,369,901 Shares should relate to the said sub-underwriting participation.

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2016.

## SHARE OPTION SCHEMES

### Old Share Option Scheme

The share option scheme of the Company which was adopted on 5 June 2006 (the “**Old Share Option Scheme**”) had a life span of ten years and was due to expire on 4 June 2016. Upon expiry of the Old Share Option Scheme, no further share option should be granted under the expired scheme but in all other respects the rules of the Old Share Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the rules of the Old Share Option Scheme, and share options which were granted prior to the termination or expiry of the Old Share Option Scheme will continue to be valid and exercisable in accordance with the rules of the Old Share Option Scheme and their terms of issue.

The Old Share Option Scheme expired on 4 June 2016. As at 30 June 2016, options to subscribe for an aggregate of 26,083,866 Shares, representing 4.10% of the issued share capital of the Company as at 30 June 2016, were outstanding under the Old Share Option Scheme.

As disclosed by the Company on 22 July 2016, as a result of the completion of the open offer on 25 July 2016 (i.e. subsequent to the end of the period under review), the exercise price of the share options and the number of Shares to be allotted and issued upon the exercise of the share options granted under the Old Share Option Scheme were adjusted. Following the adjustment, the number of Shares issuable on exercise of the outstanding options under the Old Share Option Scheme became 31,502,254 Shares, representing 3.49% of the issued share capital of the Company on the date of this report.

Grantee	Date of grant	Exercise price per share	Outstanding at	Granted during	Reclassification	Exercised during	Lapsed/ Forfeited during	Outstanding at	Exercise price per share	Outstanding at the	Exercisable period
		before 25 July 2016	1 January 2016	the period		the period	the period	30 June 2016	since 25 July 2016	date of this report	
		HK\$	'000	'000	'000	'000	'000	'000	HK\$	'000	
Directors:											
Zhu Jianqin	2 September 2011	2.11	2,300	-	-	-	-	2,300	1.75	2,778	(Note 2)
	22 October 2014	1.25	1,300	-	-	-	-	1,300	1.04	1,570	(Note 3)
Shi Qiu Yu	22 October 2014	1.25	4,423	-	-	-	-	4,423	1.04	5,341	(Note 4)
Chen Zheng Xue	22 October 2014	1.25	440	-	-	-	-	440	1.04	531	(Note 4)
Subtotal			8,463	-	-	-	-	8,463		10,221	
Consultant	29 November 2010	3.39	1,300	-	-	-	-	1,300	2.81	1,570	(Note 1)
	22 October 2014	1.25	10,841	-	-	-	-	10,841	1.04	13,093	(Note 3)
			12,141	-	-	-	-	12,141		14,633	
Employee	2 September 2011	2.11	2,000	-	-	-	-	2,000	1.75	2,415	(Note 2)
	22 October 2014	1.25	3,587	-	-	-	(108)	3,479	1.04	4,203	(Note 3)
			5,587	-	-	-	(108)	5,479		6,618	
Total			26,191	-	-	-	(108)	26,083		31,502	

Note 1: These options have vested (i) as to 30% on the date of grant; (ii) as to further 30% one year after the date of grant; and (iii) as to the remaining 40% two years after the date of grant. These options will expire on the 10th anniversary after the date of grant.

Note 2: These options have vested (i) as to 25% on 2 March 2012; (ii) as to further 25% on 2 March 2013; (iii) as to further 25% on 2 March 2014; and (iv) as to the remaining 25% on 2 March 2015. These options will expire on the 10th anniversary after the date of grant.

Note 3: Options are exercisable on or after 22 October 2014. These options will expire on the 10th anniversary after the date of grant.

Note 4: With the resignation of Ms. Shi Qiu Yu and Chen Zheng Xue with effect from 29 April 2016, these share options have lapsed pursuant to the terms of the Old Share Option Scheme subsequent to the end of period under review but before the date of this report.



## **New Share Option Scheme**

Following the expiry of the Old Share Option Scheme, the Company adopted a new share option scheme at its extraordinary general meeting held on 19 August 2016 (the “**New Share Option Scheme**”) with a life span of ten years. Under the terms of the New Share Option Scheme, the Board may, at its discretion, grant options to eligible participants to subscribe for Shares.

As at the date of this report, 90,225,766 share options were available for issue under the New Share Option Scheme, representing approximately 10% of the issued share capital of the Company. Up to the date of this report, no options were granted or outstanding under the New Share Option Scheme.

## **DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Other than the Company’s Old Share Option Scheme and New Share Option Scheme disclosed above, at no time during the period 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 17 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 for the period ended 30 June 2016 or at any time during the period.

## **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 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, 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](http://www.tatchun.com) and the website of the Stock Exchange: [www.hkexnews.hk](http://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.

## 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 shares resumed on the stock Exchange with effected from 9:00 am on 18 April 2016.

## CHANGE OF THE HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

On 29 February 2016, the head office and principal place of business of the Company in Hong Kong has changed to Unit 1001E, 10/F, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong.

## INCREASE IN AUTHORIZED SHARE CAPITAL

The authorized share capital of the Company as at 30 June 2016 was HK\$200,000,000.00 divided into 2,000,000,000 Shares of HK\$0.10 each, of which 636,887,763 Shares are in issue and 1,363,112,237 Shares are authorized but unissued.

In order to provide the Company with flexibility for fund raising by allotting and issuing new Shares in the future as and when appropriate, the Board proposed to increase the authorized share capital of the Company from HK\$200,000,000.00 divided into 2,000,000,000 Shares to HK\$400,000,000.00 divided into 4,000,000,000 Shares by the creation of additional 2,000,000,000 Shares, which will rank *pari passu* in all respects with each other (the **"Increase in Authorised Share Capital"**).

The Increase in Authorized Share Capital was approved by the Shareholders held at the EGM on 19 August 2016. The authorized share capital of the Company as at the date of this report was HK\$400,000,000.00 divided into 4,000,000,000 Shares of HK\$0.10 each, of which 902,257,664 Shares are in issue and 3,097,742,336 Shares are authorized but unissued.

## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Chen Yongsen (Chairman)  
 Mr. Wang Shi Jin (Chief Executive Officer)  
 Mr. Chen Hua (appointed on 29 February 2016)  
 Mr. Wong Wing Choi (appointed on 29 February 2016)  
 Mr. Zhu Jianqin (resigned on 29 April 2016)  
 Mr. Chen Zheng Xue (resigned on 29 April 2016)  
 Ms. Shi Qiu Yu (resigned on 29 April 2016)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong  
 Mr. Poon Chi-Choy, Sonny  
 Mr. Ye Ji Li (appointed on 29 February 2016)  
 Mr. Li Hongxiang (appointed on 4 July 2016)  
 Mr. Zhang Xiaofei (resigned on 4 July 2016)

### AUDIT COMMITTEE

Mr. Anson Poon Wai Kong  
 Mr. Poon Chi-Choy, Sonny  
 Mr. Ye Ji Li (appointed on 11 April 2016)  
 Mr. Li Hongxiang (appointed on 4 July 2016)  
 Mr. Zhang Xiaofei (resigned on 4 July 2016)

### REMUNERATION COMMITTEE

Mr. Ye Ji Li (appointed on 11 April 2016)  
 Mr. Anson Poon Wai Kong  
 Mr. Poon Chi-Choy, Sonny  
 Mr. Li Hongxiang (appointed on 4 July 2016)  
 Mr. Zhang Xiaofei (resigned on 4 July 2016)

### NOMINATION COMMITTEE

Mr. Chen Yongsen (appointed on 29 February 2016)  
 Mr. Anson Poon Wai Kong  
 Mr. Poon Chi-Choy, Sonny  
 Mr. Ye Ji Li (appointed on 11 April 2016)  
 Mr. Li Hongxiang (appointed on 4 July 2016)  
 Mr. Wang Shi Jin (ceased to be a member on 29 February 2016)  
 Mr. Zhang Xiaofei (resigned on 4 July 2016)

### COMPLIANCE COMMITTEE

Mr. Wang Shi Jin  
 Mr. Anson Poon Wai Kong  
 Mr. Poon Chi-Choy Sonny  
 Mr. Ye Ji Li (appointed on 11 April 2016)  
 Mr. Li Hongxiang (appointed on 4 July 2016)  
 Mr. Zhang Xiaofei (resigned on 4 July 2016)

### COMPANY SECRETARY

Mr. Chan Chun Kau

## AUTHORISED REPRESENTATIVES

Mr. Chen Yongsen  
 Mr. Chan Chun Kau

### 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](http://www.tatchun.com)

On behalf of the Board, I would like to extend our sincere appreciation to all management and staff members of their diligence and dedication, the continuing support of our business partners and the Company's shareholders.

On behalf of the Board

**Chen Yongsan**

*Chairman*

Hong Kong, 26 August 2016