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
2018

CONTENTS

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 2018. These interim condensed consolidated financial statements were not audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	**For the six months ended 30 June 2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)
Turnover	3	**189,431**	316,708
Cost of sales		**(193,923)**	(284,947)
Gross (loss)/profit		**(4,492)**	31,761
Other income		**10,550**	12,423
Other gains and losses		**(11,832)**	454
Selling and distribution expenses		**(10,145)**	(10,563)
Administrative expenses		**(30,955)**	(28,829)
Finance costs		**(14,178)**	(13,794)
Loss before tax		**(61,052)**	(8,548)
Income tax expense	4	**(18)**	(5,379)
Loss for the period	5	**(61,070)**	(13,927)
Other comprehensive expense:			
Items that will not be reclassified to profit or loss:			
Gain/(deficit) on revaluation of properties		**3,725**	(505)
Deferred tax (liabilities)/assets arising from revaluation of properties		**(931)**	126
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(811)**	1,779
Total comprehensive expense for the period		**(59,087)**	(12,527)

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

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June **2018** **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		**(51,387)**	(19,764)
Non-controlling interests		**(9,683)**	5,837
		(61,070)	(13,927)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(50,033)**	(18,588)
Non-controlling interests		**(9,054)**	6,061
		(59,087)	(12,527)
			(restated)
Loss per share (HK cents)			
— Basic and diluted	7	**(2.43)**	(1.45)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 HK$'000 (unaudited)**	31 December 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	8	**178,095**	174,076
Prepaid lease payments — non-current portion		**31,038**	31,326
Trade receivables with extended credit terms	9(a)	**17,925**	30,713
		227,058	236,115
Current assets			
Inventories		**62,357**	46,982
Prepaid lease payments — current portion		**946**	934
Trade and other receivables	9(a)	**557,347**	528,130
Bills receivable	9(b)	**27,007**	16,708
Pledged bank deposits		**38,582**	22,453
Bank balances, deposits and cash		**24,610**	43,633
		710,849	658,840
Current liabilities			
Trade and other payables	10(a)	**349,170**	299,020
Contract liabilities		**3,998**	–
Bills payable	10(b)	**65,089**	47,797
Taxation payable		**81,382**	78,932
Bank borrowings — due within one year	11	**162,250**	156,386
		661,889	582,135
Net current assets		**48,960**	76,705
Total assets less current liabilities		**276,018**	312,820

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)
As at 30 June 2018

	Notes	**30 June 2018 HK$'000 (unaudited)**	31 December 2017 HK$'000 (audited)
Non-current liabilities			
Deferred taxation		**17,544**	16,613
Net assets		**258,474**	296,207
Capital and reserves			
Share capital	12	**226,520**	205,927
Reserves		**47,528**	96,800
Equity attributable to owners of the Company		**274,048**	302,727
Non-controlling interests		**(15,574)**	(6,520)
Total equity		**258,474**	296,207

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve 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 2017 (audited)	102,964	539,088	470	43,095	15,003	1,156	22,036	1,893	18,345	(478,545)	265,505	(140)	265,365
Loss for the period	–	–	–	–	–	–	–	–	–	(19,764)	(19,764)	5,837	(13,927)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	1,555	–	1,555	224	1,779
Deficit on revaluation of properties	–	–	–	(505)	–	–	–	–	–	–	(505)	–	(505)
Deferred tax liabilities arising from revaluation of properties	–	–	–	126	–	–	–	–	–	–	126	–	126
Total comprehensive expense for the period	–	–	–	(379)	–	–	–	–	1,555	(19,764)	(18,588)	6,061	(12,527)
Transfer to PRC statutory reserve	–	–	–	–	1,895	–	–	–	–	(1,895)	–	–	–
At 30 June 2017 (unaudited)	102,964	539,088	470	42,716	16,898	1,156	22,036	1,893	19,900	(500,204)	246,917	5,921	252,838

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 30 June 2018

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve 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 2018 (audited)	205,927	566,877	470	47,926	15,003	1,156	25,512	1,893	14,966	(577,003)	302,727	(6,520)	296,207
Loss for the period	–	–	–	–	–	–	–	–	–	(51,387)	(51,387)	(9,683)	(61,070)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	(1,440)	–	(1,440)	629	(811)
Gain on revaluation of properties	–	–	–	3,725	–	–	–	–	–	–	3,725	–	3,725
Deferred tax liabilities arising from revaluation of properties	–	–	–	(931)	–	–	–	–	–	–	(931)	–	(931)
Total comprehensive expense for the period	–	–	–	2,794	–	–	–	–	(1,440)	(51,387)	(50,033)	(9,054)	(59,087)
Issue of shares upon subscriptions new shares	20,593	–	–	–	–	–	–	–	–	–	20,593	–	20,593
Issue of shares upon right issue	–	–	–	–	–	–	761	–	–	–	761	–	761
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	–	–	–	–	-
At 30 June 2018 (unaudited)	226,520	566,877	470	50,720	15,003	1,156	26,273	1,893	13,526	(628,390)	274,048	(15,574)	258,474

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash outflow from operating activities	**(9,306)**	(155,250)
Net cash (used in)/generated from investing activities:		
Withdrawal of pledged bank deposits	**44,367**	96,833
Placement of pledged bank deposits	**(59,339)**	(56,946)
Purchase of property, plant and equipment	**(6,962)**	(1,000)
Other investing cash flows	**1,342**	739
	(20,592)	39,626
Net cash generated from financing activities:		
Bank borrowings raised	**62,164**	133,372
Repayment of bank borrowings	**(56,750)**	(133,468)
Interest paid	**(14,453)**	(13,794)
Repayment of obligations under finance leases	**–**	(112)
Net proceeds from issue of shares upon subscriptions of new shares	**20,593**	–
Repayment of other Borrowings	**(54,920)**	–
Other borrowing raise	**55,605**	97,915
	12,239	83,913
Net decrease in cash and cash equivalents	**(17,659)**	(31,711)
Cash and cash equivalents at 1 January	**43,633**	67,761
Effect of foreign exchange rate changes	**(1,364)**	1,779
Cash and cash equivalents at 30 June, represented by bank balances, deposits and cash	**24,610**	37,829

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

(a) 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 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the Interim Financial Statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Sales of printed circuit boards
- Trading of tower and electric cable

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Difference at the date of initial application, if any, is recognised in the opening accumulated losses and comparative information has not been restated.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" *(continued)*

Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The revenue of the Group is recognised at a point in time. The application of HKFRS 15 does not have significant impact on the amounts reported in the condensed consolidated financial statements except for the presentation of deposits received from customers amounting to HK$3,998,000 as at 30 June 2018 which included in "trade and other payable" is presented as "contract liabilities" on the condensed consolidated statement of financial position.

The following adjustments were made to the consolidated statement of financial position at the date of initial application, 1 January 2018. The effect of adopting HKFRS 15 is as follow:

	notes	Under HKAS 18	Reclassification	Under HKFRS 15
Trade and other payables	10a	299,020,000	(3,974,000)	295,046,000
Contract liabilities		–	3,974,000	3,974,000

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" *(continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" *(continued)*

Measurement and recognition of ECL (continued)

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits, bank trust account balances and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, HK$8,720,000 credit loss allowance has been recognised in the condensed consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" *(continued)*

Impairment under ECL model (continued)

The following adjustments were made to the consolidated statement of financial position at the date of initial application, 1 January 2018. The effect of adopting HKFRS 9 is, as follows:

	notes	Under HKAS 39	Re-measurement	Under HKFRS 9
Trade and other receivables	9a	528,130,000	(8,720,000)	519,410,000

New and revised HKFRS in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
	Amendments to HKFRS 9 Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021

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	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Segment turnover — external sales		
Manufacturing and trading of single-sided printed circuit boards ("PCB") ("Single-sided PCB")	**46,543**	55,325
Manufacturing and trading of double-sided PCB ("Double-sided PCB")	**24,146**	83,791
Manufacturing and trading of multi-layered PCB ("Multi-layered PCB")	**83,388**	57,680
Tradings of tower and electric cable	**35,354**	119,912
Total	**189,431**	316,708
Timing of revenue recognition		
At a point in time	**189,431**	–
Over time	**–**	–
Segment (loss)/profit		
Single-sided PCB	**(8,874)**	(4,163)
Double-sided PCB	**(4,603)**	(6,305)
Multi-layered PCB	**(15,898)**	(4,340)
Lighting emitting diode ("LED") Lighting ("LED lighting")	**(6,929)**	(1,462)
Tradings of tower and electric cable	**(10,327)**	21,304
	(46,631)	5,034
Other income	**(94)**	915
Central administrative costs	**(149)**	(703)
Finance costs	**(14,178)**	(13,794)
Loss before tax	**(61,052)**	(8,548)

Segment (loss)/profit represents the (loss)/profit 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	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profit Tax	**–**	914
PRC Enterprise Income Tax ("EIT")	**18**	4,465
	18	5,379

Hong Kong Profits Tax is calculated at 16.5% for each of the assessable profits for the period ended 30 June 2018.

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	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Directors' emoluments	**1,743**	2,812
Other staff costs	**35,452**	46,758
Total staff costs	**37,195**	49,570
Amortisation of prepaid lease payments	**458**	458
Depreciation of property, plant and equipment	**6,948**	11,096
Imputed interest income on trade receivables with extended credit terms (included in other income)	**(2,439)**	(2,421)
Interest income on bank deposits and bank balances (included in other income)	**(827)**	(739)
Sales of scrap materials (included in other income)	**(6,508)**	(7,605)
Government grants (note)	**(25)**	(126)
Provision for compensation charges	**1,250**	–
Impairment loss, recognised on trade and other receivable	**9,764**	–

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 2017: 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	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share:		
Loss for the period attributable to owners of the Company	**(51,387)**	(19,764)
	'000	'000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,110,381**	1,354,798

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

The calculation of the diluted loss per share for the periods ended 30 June 2018 and 2017 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. The resulting Gain on revaluation of HK$3,725,000 was recognised to the property revaluation reserve during the six months ended 30 June 2018 (six months ended 30 June 2017: HK$505,000).

During the six months ended 30 June 2018, the Group paid HK$6,962,000 (six months ended 30 June 2017: HK$1,000,000) on acquisition of property, plant and equipment.

9. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

Included in trade and other receivables was trade receivables of approximately HK$418,564,000 (31 December 2017: HK$425,953,000) as follows:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Trade receivables with normal credit terms	**319,414**	310,859
Less: Allowance for doubtful debts	**(13,367)**	(4,729)
	306,047	306,130
Trade receivables with extended credit terms	**124,324**	131,692
Less: Allowance for doubtful debts	**(11,807)**	(11,869)
	112,517	119,823
Total trade receivables, net of allowance for doubtful debts	**418,564**	425,953
Less: Non-current portion of trade receivables with extended credit terms	**(17,925)**	(30,713)
Current portion of trade receivables	**400,639**	395,240

The Group generally allows an average credit period of 30 days to 180 days to its trade on PCB customers and tradings of towers and electric cable 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 aging analysis of trade receivables with normal credit terms and trade receivables with extended credit terms, net of allowance for doubtful debts, respectively, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	Extended credit terms		Normal credit terms		Total	
	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0–30 days	**–**	–	**42,672**	36,833	**42,672**	36,833
31–60 days	**–**	–	**33,592**	56,423	**33,592**	56,423
61–90 days	**–**	–	**33,973**	42,492	**33,973**	42,492
91–180 days	**–**	–	**31,432**	73,356	**31,432**	73,356
Over 180 days	**112,517**	119,823	**164,378**	97,026	**276,895**	216,849
	112,517	119,823	**306,047**	306,130	**418,564**	425,953

9. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

(a) Trade and other receivables *(continued)*

Movement in the allowance of doubtful debts for normal credit terms:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Balance at beginning of the period	**4,729**	1,473
HKFRS9 remeasurement	**8,720**	–
Impairment loss recognised on trade receivables	**1,044**	3,256
Amount write off as uncollectible	**(1,126)**	–
	13,367	4,729

(b) Bills Receivable

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0–30 days	**6,110**	–
31–60 days	**–**	–
61–90 days	**–**	16,708
91–180 days	**3,750**	–
Over 180 days	**17,147**	–
	27,007	16,708

(c) At the end of the reporting period, included in the Group's other receivables is an amount of HK$1,978,000 licensing income receivable (31 December 2017: HK$1,978,400) from Orient Opto-Semiconductors Corp. ("Dongfang"), a non-controlling interest of TC Orient Lighting (Shenzhen) Limited (達進東方照明(深圳)有限公司), a PRC subsidiary of the Company and is controlled by Mr. Zhu Jianqin, who was a Director of the Company and resigned on 29 April 2016. Amounts are unsecured, interest-free and repayable on demand.

10. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and other payables

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0–30 days	**18,166**	29,728
31–60 days	**17,094**	23,109
61–90 days	**18,017**	18,177
91–180 days	**24,794**	18,292
Over 180 days	**47,811**	45,395
	125,882	134,701
Other payables (note)	**198,208**	144,079
Accrued salaries and other accrued charges	**25,080**	20,240
	349,170	299,020

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.

Note: At the end of interim period, included in the Group's other payable is an amount of HK$23,577,000 (31 December 2017: HK$22,892,000) loan from Shenzhen Qianhai Dahuangyuan Financing Leasing Company Limited in interest rate range from 5% to 22% and repaid in accordance with the terms of the loan agreements. During the interim period ended 30 June 2018, HK$9,869,000 (six months ended 30 June 2017: HK$8,837,000) interest were recognised in the finance cost of consolidated statements of profit or loss.

(b) Bills payable

The aging analysis of bills payable is as follows:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0–30 days	**10,499**	–
31–60 days	**7,466**	–
61–90 days	**14,006**	4,563
91–180 days	**26,312**	33,754
Over 180 days	**6,806**	9,480
	65,089	47,797

11. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to HK$162,250,000 (six months ended 30 June 2017: HK$133,372,000) which were secured by the assets of the Group as disclosed in note 15. The new loans bear fixed interest at rate from 3.15% to 5.69% per annum, the effective interest rate for fixed interest rate were 5.03% (six months ended 30 June 2017: 4.36%) per annum. The proceeds are used to finance the operations of the Group.

12. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 December 2017 and 30 June 2018	4,000,000	400,000
Issued and fully paid:		
Ordinary shares at 1 January	2,059,271	205,927
Issue share upon share subscription	205,927	20,593
At 31 December 2017 and 30 June 2018	2,265,198	226,520

13. SHARE OPTION SCHEME

The Company's new share option scheme was adopted on 19 August 2016 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, 21,000,000 (six months ended 30 June 2017: Nil) share options lapsed or were forfeited.

14. CAPITAL COMMITMENTS

At 30 June 2018, the Group has no commitment (as at 31 December 2017: Nil) in respect of the acquisition of property, plant and equipment contracted for but not provided in the Interim Financial Statements.

15. 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 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Buildings	**134,518**	132,297
Plant and machinery	**–**	7,376
Pledged bank deposits	**38,582**	22,453
Prepaid lease payments	**17,920**	18,228
	191,020	180,354

16. RELATED PARTY DISCLOSURES

Save as disclosed elsewhere in this Interim Financial Statement, the Group entered into the following material related party transactions:

(i) 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	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Short-term benefits	**1,837**	2,755
Post-employment benefits	**38**	57
	1,875	2,812

(ii) Related party transactions

Details of the Group's outstanding balances with related parties are set out in the Interim Financial Information in note 9(c).

17. LITIGATION

(a) 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.

(b) On 13 August 2018, TC Orient (Jiangsu) Optoelectronic Company Limited (達進東方(江蘇)光電有限公司) ("TCO Jiangsu"), a subsidiary of the Company, received a writ issued by 連雲港嘉鋭建築工程有限公司 (the "Plaintiff") against TCO Jiangsu and filed with Lianyungang City Lianyun District People's Court ("Lianyungang Court") together with the related court summons, whereby the Plaintiff alleged that TCO Jiangsu shall make a payment of RMB11,062,094.81 (approximately HK$12,863,000) to them in settlement of certain construction cost (the "Jiangsu Legal Action"). The Company has instructed its legal advisor to uphold its right in the Jiangsu Legal Action. In the meantime, the Board considers that the Jiangsu Legal Action is unlikely to result in any material adverse effect to the Company's operations or financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

	For the six months ended 30 June					
					Increase/	Change
	2018		2017		(decrease)	in
	HK$'000	**%**	HK$'000	%	HK$'000	%
Single-sided PCB	**46,543**	**24.6**	55,325	17.5	(8,782)	(15.9%)
Double-sided PCB	**24,146**	**12.7**	83,791	26.4	(59,645)	(71.2%)
Multi-layered PCB	**83,388**	**44.0**	57,680	18.2	25,708	44.6%
Trading of tower and electric cable	**35,354**	**18.7**	119,912	37.9	(84,558)	(70.5%)
Total	**189,431**	**100.0**	316,708	100.0	(127,277)	(40.2%)

Revenue from LED lighting business for the six months ended 30 June 2018 was nil.

The three categories of PCB products are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the period, single and doubled-sided PCB's used for consumer electronics accounted for approximately 37.3% of the Group's turnover. High-end multi-layered PCBs were also a core product of the Group, accounting for 44.0% of turnover.

For the six months period ended 30 June 2018, the turnover of trading of tower and electric cable accounted for approximately 18.7% of the Group's turnover.

During the period under review, the breakdown of turnover based on geographical locations is summarised as follows:

	For the six months ended 30 June					
					Increase/	Change
	2018		2017		(decrease)	in
	HK$'000	**%**	HK$'000	%	HK$'000	%
Hong Kong	**30,670**	**16.2**	30,307	9.6	363	1.2
The PRC	**130,672**	**69.0**	253,646	80.1	(122,974)	(48.5)
Asia (excluding Hong Kong and the PRC)	**3,959**	**2.1**	6,206	2.0	(2,247)	(36.2)
Europe	**21,705**	**11.5**	23,849	7.5	(2,144)	(9.0)
Others	**2,425**	**1.2**	2,700	0.8	(275)	(10.2)
Total	**189,431**	**100.0**	316,708	100.0	(127,277)	(40.2)

During the period under review, the Group's revenue decreased mainly due to the decrease of revenue from the segments of double-sided PCB and the trading of tower and electric cable.

FINANCIAL REVIEW

During the period under review, the Group's turnover amounted to approximately HK$189.4 million, representing a decrease of 40.2% as compared to approximately HK$316.7 million for the corresponding period last year. The gross profit margin for the six months ended 30 June 2018 was -2.37%. The gross profit margins for the segment of manufacturing and trading of PCBs and trading of tower and electric cable segment were -3.1% and 1.0% respectively.

The turnover for manufacturing and tradings of PCBs has 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$51.4 million (2017: HK$19.8 million).

The PCB business has been the Group's main source of income for many years. During the first half of 2018, the Group was unable to secure more purchase orders for double-sided PCBs and trading of tower and electric cable, due to severe competition from competitors.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2018, the Group had total assets of approximately HK$937.9 million (31 December 2017: HK$895.0 million) and interest-bearing borrowings of approximately HK$185.8 million (31 December 2017: HK$179.3 million), representing a gearing ratio (defined as interest-bearing borrowings over total assets) of approximately 19.8% (31 December 2017: 20.0%).

The Group had net current assets of approximately HK$49.0 million (31 December 2017: HK$76.7 million) consisted of current assets of approximately HK$710.8 million (31 December 2017: HK$658.8 million) and current liabilities of approximately HK$661.9 million (31 December 2017: HK$582.1 million), representing a current ratio of approximately 1.07 (31 December 2017: 1.13).

As at 30 June 2018, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$63.2 million (31 December 2017: HK$66.1 million). As at 30 June 2018, the Group had bank balances, deposit and cash of approximately HK$24.6 million (31 December 2017: HK$43.6 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 2018 (30 June 2017: Nil).

HUMAN RESOURCES

As at 30 June 2018, the Group employed a total of approximately 1,210 employees (31 December 2017: 1,203), including approximately 1,165 employees in its Zhongshan production site, 28 employees in its PRC LED business units and 17 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

Right issue of 1,029,635,216 Shares at HK$0.13 per Share

On 31 October 2017, the Company announced a proposed rights issue on the basis of one rights share for every one existing share held at a price of HK$0.13 per rights share. The rights issue was oversubscribed and was completed on 21 December 2017, when the Company allotted and issued a total 1,029,635,216 rights shares raising actual net proceeds of approximately HK$130.8 million which was intended to be used (a) as to approximately HK$96.3 million for partial repayment of the Group's other payables (principally higher-cost short-term loans); and (b) as to approximately HK$34.5 million for partial settlement of the account payable to suppliers which are immediately due or overdue. As at 30 June 2018, the net proceeds was used (a) as to approximately HK$110 million for repayment of loan and interest payables and (b) as to approximately HK$20.8 million for settlement of payables to suppliers.

Subscriptions of 205,927,043 share at HK$0.10 per share

As announced by the Company on 10 May 2018, the Company entered into share subscription agreements with two share subscribers in relation to the subscriptions of 205,927,043 ordinary shares ("Subscription Share(s)") of the Company at the subscription price of HK$0.10 per Subscription Share. The subscriptions were carried out under the general mandate approved by the Company's shareholders at the annual general meeting held on 2 June 2017. Completion of the subscriptions took place on 31 May 2018, with 205,927,043 ordinary shares of the Company allotted and issued to the two share subscribers. The gross and net proceeds from the subscriptions were approximately HK$20.59 million and HK$20.49 million, respectively. It is intended that such net proceeds will be used by the Company for settlement of the Group's loans and accounts payable to suppliers as they fall due. As of 30 June 2018, the entire amount of the net proceeds from the subscriptions was utilized as intended.

OUTLOOK

The Board considers that it is vital and necessary for the Group to dedicate more efforts on the research and development with the view to achieving product upgrade. The Group has paid high attention to develop high value-added PCB products, particularly the copper-based PCB engaged in clean and environmental friendly applications.

Regarding the LED segment, the Group intends to focus on credit management and to optimize the trade receivable collection. The Group intends to pursue only after profitable projects with shorter receivable cycle.

CHARGE OF ASSETS

Details of the charge of assets are set out in note 15 to the financial statements.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, 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
Chen Hua	Interest in controlled corporation (Note 1)	108,000,000	4.77%
	Beneficial Owner (Note 2)	1,000,000	0.04%
Xu Ming	Beneficial Owner (Note 2)	5,000,000	0.22%
Guo Jun Hao	Beneficial Owner (Note 2)	1,000,000	0.04%
Li Hongxiang	Beneficial Owner (Note 2)	1,000,000	0.04%
Wong Kwok On	Beneficial Owner (Note 2)	1,000,000	0.04%
Bonathan Wai Ka Cheung	Beneficial Owner (Note 2)	1,000,000	0.04%
Zeng Yongguang	Interest of Spouse (Note 3)	1,000,000	0.04%

Note 1: Based on the disclosure of Interest ("**DI**") filings made by the relevant person, these 108,000,000 Shares were held by Able Turbo Enterprises Limited ("**Able Turbo**"), which is a company 60.31% owned by Mr. Chen Hua (a director of the Company since 29 February 2015) and 39.69% owned by Mr. Li Xianggen.

Note 2: Based on the DI filings made by the relevant person(s), the underlying Shares may be issued upon full exercise of the share options granted to the relevant directors on 6 December 2017, further details of which are set out in the section headed "Share Option Schemes".

Note 3: Based on the DI filings made by the relevant person, Mr. Zeng Yongguang is deemed to be interested in the 1,000,000 shares of the Company held by his spouse, Ms. Zeng Xiaoxian.

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 2018.

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

As at 30 June 2018, 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	5.67%
Chen Jing (Note 1)	Beneficial owner and interest in controlled corporation	132,162,303	5.83%
Wang Shi Jin	Beneficial Owner (Note 2)	128,262,303	5.67%
South Network Group Limited (Note 3)	Beneficial Owner	216,000,000	9.54%
Zhu Dechao (Note 3)	Interest in controlled corporation	216,000,000	9.54%

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

Note 3: Based on DI filing made by the relevant person(s), these 216,000,000 Shares were held by South Network Group Limited, which is a company wholly owned by Mr. Zhu Dechao.

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 2018.

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 disclosed by the Company on 22 July 2016 as a result of the completion of the open offer on 25 July 2016, 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 of the outstanding options under the Old Share Option Scheme became 30,992,575 Shares, representing 1.37% of the issued share capital of the Company on 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, 21,225,766 share options were available for issue under the New Share Option Scheme, representing approximately 0.94% of the issued share capital of the Company as at the date of passing of the resolution adopting the New Share Option Scheme. Up to the date of this report, no options were granted or outstanding under the New Share Option Scheme.

Grantee	Date of grant	Exercise price per share before 20 December 2017 HK$	Outstanding as at 1 January 2018 '000	Granted during the period '000	Reclassification during the period '000	Exercised during the period '000	Lapsed/ Forfeited during the period '000	Outstanding as at 30 June 2018 '000	Exercise price per share since 20 December 2017 HK$	Outstanding at the date of this report '000	Exercisable period
Directors											
Chen Yongsen (Resigned on 20 April 2018)	6 December 2017	0.178	10,000	–	–	–	10,000	–	0.178	–	(Note 4)
Wang Shi Jin (Resigned on 5 June 2018)	6 December 2017	0.178	10,000	–	–	–	10,000	–	0.178	–	(Note 4)
Xu Ming	6 December 2017	0.178	5,000	–	–	–	–	5,000	0.178	5,000	(Note 4)
Chen Hua	6 December 2017	0.178	1,000	–	–	–	–	1,000	0.178	1,000	(Note 4)
Guo Jun Hao	6 December 2017	0.178	1,000	–	–	–	–	1,000	0.178	1,000	(Note 4)
Anson Poon Wai Kong (Retired on 6 June 2018)	6 December 2017	0.178	1,000	–	–	–	1,000	–	0.178	–	(Note 4)
Li Hongxiang	6 December 2017	0.178	1,000	–	–	–	–	1,000	0.178	1,000	(Note 4)
Wong Kwok On	6 December 2017	0.178	1,000	–	–	–	–	1,000	0.178	1,000	(Note 4)
Bonathan Wai Ka Cheung	6 December 2017	0.178	1,000	–	–	–	–	1,000	0.178	1,000	(Note 4)
Subtotal			31,000	–	–	–	21,000	10,000		10,000	
Consultants	29 November 2010	2.807	1,903	–	–	–	–	1,903	2.316	1,903	(Note 1)
	22 October 2014	1.035	15,870	–	–	–	–	15,870	0.854	15,870	(Note 3)
	6 December 2017	0.178	34,000	–	–	–	–	34,000	0.178	34,000	(Note 4)
Subtotal			51,773	–	–	–	–	51,773		51,773	
Employee	2 September 2011	1.747	6,295	–	–	–	–	6,295	1.440	6,295	(Note 2)
	22 October 2014	1.035	6,924	–	–	–	–	6,924	0.854	6,924	(Note 3)
	6 December 2017	0.178	25,000	–	–	–	–	25,000	0.178	25,000	(Note 4)
Subtotal			38,219	–	–	–	–	38,219		38,219	
Total			120,992	–	–	–	21,000	99,992		99,992	

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: These options are exercisable (i) as to 50% from 1 January 2018 to 31 December 2019; and (ii) as to further 50% from 1 January 2019 to 31 December 2019.

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 16 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 2018 or at any time during the period.

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

During the six months ended 30 June 2018, 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 2018 to 30 June 2018, except the deviation disclosed in the following paragraph:

(i) Under Code Provision A.2.1, the roles of Chairman and chief executive officer ("**CEO**") should be separated and not be performed by the same individual. Following the resignation of Mr. Chen Yongsen as the Chairman of the Company with effect from 20 April 2018 and the resignation of Mr. Wang Shi Jin as the Company's CEO with effect from 5 June 2018, the positions of chairman and CEO are currently vacant. The Company is identifying suitable candidates to fill the vacancies.

(ii) Under Code Provision A.6.7, independent non-executive directors should attend the annual general meeting of the Company. Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung did not attend the annual general meeting of the Company held on 6 June 2018 due to other commitments.

(iii) Under Code Provision C.1.2, management should provide all members of the Board with monthly updates on the issuer's performance, position and prospects, which may include monthly management accounts and material variance between projections and actual results. During the period under review, although management accounts were not circulated to Board members on monthly basis, regular verbal updates were given by management to Directors on working level meetings from time to time, which the management considers to be sufficient and appropriate in the circumstances in giving a balanced and understandable assessment of the issuer's performance and enabling Directors to discharge their duties.

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 2018.

AUDIT COMMITTEE

As at 30 June 2018, the Audit Committee of the Company ("**AC**") comprised of four independent non-executive Directors, namely, Dr. Loke Yu (alias Loke Hoi Lam), Mr. Li Hongxiang, Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung. One out of five AC members, Dr. Loke Yu possesses recognised professional qualifications in accounting and has wide experience in audit and accounting. As at 30 June 2018, Dr. Loke Yu is the chairman of AC.

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

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

The Group's unaudited financial statements for the six months ended 30 June 2018 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.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Chen Yongsen
(Chairman, resigned on 20 April 2018)
Mr. Wang Shi Jin (Chief Executive Officer, resigned on 5 June 2018)
Mr. Chen Hua
Mr. Xu Ming
Mr. Guo Jun Hao
Mr. Zeng Yongguang
(appointed on 27 March 2018)
Mr. Mai Huazhi
(appointed on 28 May 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Anson Poon Wai Kong
(retired on 6 June 2018)
Mr. Li Hongxiang
Mr. Wong Kwok On
Mr. Bonathan Wai Ka Cheung
Dr. Loke Yu (alias Loke Hoi Lam)
(appointed on 6 June 2018)

AUDIT COMMITTEE
Mr. Anson Poon Wai Kong
(chairman of committee, retired on 6 June 2018)
Mr. Li Hongxiang
Mr. Wong Kwok On
Mr. Bonathan Wai Ka Cheung
Dr. Loke Yu (alias Loke Hoi Lam)
(chairman of committee, appointed on 6 June 2018)

REMUNERATION COMMITTEE
Mr. Anson Poon Wai Kong
(chairman of committee, retired on 6 June 2018)
Mr. Li Hongxiang
Mr. Bonathan Wai Ka Cheung
Dr. Loke Yu (alias Loke Hoi Lam)
(appointed on 6 June 2018)

NOMINATION COMMITTEE
Mr. Chen Yongsen
(chairman of committee, resigned on 20 April 2018)
Mr. Anson Poon Wai Kong
(retired on 6 June 2018)
Mr. Li Hongxiang
Mr. Bonathan Wai Ka Cheung
Dr. Loke Yu (alias Loke Hoi Lam)
(appointed on 6 June 2018)

COMPLIANCE COMMITTEE
Mr. Wang Shi Jin
(chairman of committee, resigned on 5 June 2018)
Mr Li Hongxiang
Mr. Bonathan Wai Ka Cheung
Dr. Loke Yu (alias Loke Hoi Lam)
(chairman of committee, appointed on 6 June 2018)

COMPANY SECRETARY
Mr. Chan Chun Kau

AUTHORISED REPRESENTATIVES
Mr. Chan Chun Kau
Mr. Zeng Yongguang

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Unit 1101 A1, East Ocean Centre
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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
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

Oh 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
Zeng Yongguang
Executive Director

Hong Kong, 28 August 2018