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## **TUNGDA INNOVATIVE LIGHTING HOLDINGS LIMITED**

**東大新材料照明控股有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8229)**

### **DISCLOSEABLE AND MAJOR TRANSACTIONS FURTHER POSTPONEMENT OF BOARD MEETING, FURTHER DELAY IN THE PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND DISPATCH OF THE ANNUAL REPORT AND DELAY IN THE PUBLICATION OF FIRST QUARTERLY RESULTS**

The Board announced that Tungda Fujian as purchaser entered into two machinery and equipment purchase contracts with 洛陽起重機廠 (Luoyang Lifting Machine Factory) on 17 July 2004 at the consideration of RMB22,050,000 (equivalent to HK\$21,000,000) and RMB21,189,000 (equivalent to HK\$20,180,000) respectively. Each of these contracts constitutes a discloseable transaction under Rule 19.06 of the GEM Listing Rules. When aggregated together, these contracts still constitute a discloseable transaction of the Company.

Further, Tungda Fujian as purchaser entered into two machinery and equipment purchase contracts with 株州市德光設備製造廠 (Zhuzhou Deguang Equipment Manufacturing) on 17 July 2004 and 27 July 2004 at the consideration of RMB41,800,500 (equivalent to HK\$39,810,000) and RMB22,567,986 (equivalent to HK\$21,493,320) respectively. These contracts in aggregate constitute a major transaction under Rule 19.06 of the GEM Listing Rules and are subject to the approval by the Company's shareholders at a general meeting to be convened by the Company. Standard Exceed Limited, a shareholder holding approximately 50.65% of the issued share capital of the Company has indicated to the Company its approval of such major transaction. Each of these contracts, if not aggregated together, constitutes a discloseable transaction of the Company.

A circular containing, among others, further information of the above purchase contracts will be dispatched to shareholders of the Company as soon as practicable.

The above three purchase contracts dated 17 July 2004 were previously entered into by the Company and the suppliers respectively. On the advice of the Company's PRC legal advisers, the previous purchase contracts, which were likely unenforceable under PRC laws as they should have been executed by Tungda Fujian as a PRC entity rather than the Company, were cancelled or confirmed as cancelled by agreements entered into between the Company and the respective suppliers on 17 July 2004. The Company has not previously announced the entering into of the previous purchase contracts and

\* For identification purposes only

issued a circular with further information regarding such transactions which may constitute a breach of Rules 19.34 and 19.38 of the GEM Listing Rules. The Stock Exchange reserves its rights to take action against the Company and/or its directors regarding any breach of the GEM Listing Rules in this regard.

The management of the Company erroneously believed that the purchase of the machineries for the production of its products constituted ordinary activities of the Company. Accordingly the directors of the Company did not have in mind such transactions when making announcements pursuant to the Stock Exchange's requests under Rules 17.10 and 17.11 of the GEM Listing Rules (which stated, among other things, that there were no negotiations or agreements relating to intended acquisitions or realizations discloseable under Chapters 19 to 20 of the GEM Listing Rules). The Stock Exchange reserves its rights to take action against the Company and/or its directors regarding the breach of the GEM Listing Rules in this regard.

The Board announces that the Company will further postpone its Board meeting to approve the annual results for the year ended 31 March 2004 to a date to be further announced pending further clarifications with the auditor for finalising the audit report. The Board presently expects such date to be on or before 21 October 2004.

The Board also announces that the publication of the Company's annual results and the dispatch of its annual report will also be delayed due to the abovementioned matter. The publication of the Company's first quarterly results will also be delayed as a result of the aforesaid matter. The Company expects the annual results to be announced immediately following the meeting of the Board approving the same and the annual report to be dispatched to its shareholders as soon as practicable thereafter. The first quarterly results will be announced as soon as practicable thereafter. An announcement will be made once the date of the board meeting is fixed.

Such delay in the publication of the annual results and the dispatch of the annual report of the Company to its shareholders and the publication of the quarterly report constitutes a breach of Rules 18.03, 18.49 and 18.66 of the GEM Listing Rules and the articles of association of the Company. In this regard, the Stock Exchange reserves its right to take action against the Company and/or the Directors.

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m. on 29 July 2004. Trading in the shares of the Company will remain suspended until further notice.

## **THE ACQUISITION CONTRACTS**

### **A. Discloseable transactions with Luoyang Lifting Machine Factory**

#### **I. Induction lamp machinery contract (First Acquisition Contract)**

*Date of contract*

17 July 2004

### *Parties to the contract*

- Vendor : The First Vendor, which is a PRC state-owned enterprise and is an independent third party not connected with the directors, chief executive, substantial shareholder or management shareholder of the Company or any of its subsidiaries or an associate of any of them.
- Purchaser : Tungda Fujian, a wholly-owned subsidiary of the Company.

### *Assets acquired*

The First Acquisition Contract includes seven sets of machinery that are collectively designed for the functions of triboelectricity coating and high speed vacuum exhausting in the induction lamp production line. Three sets of the aforesaid machinery were delivered to the production site of Tungda Fujian in the period from April to July 2004, and the remaining four sets are expected to be delivered to the production site in December 2004.

### *Consideration*

The consideration for the induction lamp manufacturing equipment amounts to RMB22,050,000 (equivalent to HK\$21,000,000). When aggregated with the Second Acquisition Contract (see below), the consideration amounts to approximately RMB43,239,000 (equivalent to HK\$41,180,000).

Such consideration was determined at arm's length negotiation between the parties and with reference to the specifications of the equipment and after other independent suppliers' quotes were obtained and considered by the Group. The consideration will be funded by internal resources of the Group.

The Board believes that such consideration is fair and reasonable and in the interest of all the shareholders of the Company as a whole.

### *Payment terms*

The consideration under the First Acquisition Contract is payable in four installments as follows: 1st installment of RMB6,300,000 and 2nd installment of RMB12,978,000 which have been paid by the Group in September 2003 and January 2004; 3rd installment of RMB1,470,000 expected to be paid after testing and successful operation; and 4th installment of RMB1,302,000 expected to be paid after commencement of normal operation. Commencement of normal operation of this induction lamp manufacturing equipment is expected to take place in or around the last quarter of 2004.

### *Benefits expected to accrue to the Group from the acquisition*

The induction lamp manufacturing equipment acquired by the Group enables the Group to expand the designed monthly production capacity of its existing induction lamp production line in the PRC from 12,000 units to 140,000 units on the basis of one shift per day. The Board currently does not have any intention to acquire any further equipment for pursuing its induction lamp production business in the near future.

## II. Microwave sulphur lamp machinery contract (Second Acquisition Contract)

### *Date of contract*

17 July 2004

### *Parties to the contract*

Vendor : the First Vendor, which is a PRC state-owned enterprise and is an independent third party not connected with the directors, chief executive, substantial shareholder or management shareholder of the Company or any of its subsidiaries or an associate of any of them.

Purchaser : Tungda Fujian, a wholly-owned subsidiary of the Company.

### *Assets acquired*

The Second Acquisition Contract includes forty two sets of machinery that are collectively designed for the functions of automatic cutting of glass bulb, semi-automatic production of control gear, high speed vacuum exhausting, testing system in the microwave sulphur lamp production line. The aforesaid machinery is expected to be delivered to the production site of Tungda Fujian in or around the first quarter of 2005.

### *Consideration*

The consideration for the microwave sulphur lamp manufacturing equipment amounts to RMB21,189,000 (equivalent to HK\$20,180,000). When aggregated with the First Acquisition Contract, the consideration amounts to approximately RMB43,239,000 (equivalent to HK\$41,180,000).

Such consideration was determined at arm's length negotiation between the parties and with reference to the specifications of the equipment and after other independent suppliers' quotes were obtained and considered by the Group. The consideration will be funded by internal resources of the Group.

The Board believes that such consideration is fair and reasonable and in the interest of all the shareholders of the Company as a whole.

### *Payment terms*

The consideration under the Second Acquisition Contract is payable in four installments as follows: 1st installment of RMB10,374,000 has been paid by the Group in September 2003; and the balance shall be paid by three remaining installments at such time to be mutually agreed between the parties having regard to the progress of completion of production and delivery of the equipment. Delivery of the microwave sulphur lamp manufacturing equipment is expected to be in or around the first quarter of 2005.

### *Benefits expected to accrue to the Group from the acquisition*

The microwave sulphur lamp manufacturing equipment acquired by the Group allows the Group to expand its product line to include microwave sulphur lamp, a new type of environmental friendly

(mercury-free) and energy-saving light source products and is also one of the new products under development plan as per the Company's GEM prospectus. The Board expects the completion of the installation to the new production line would be around the first quarter in 2005. The completion of the new production line for microwave sulphur lamp would require further equipment, which is subject to the progress of the Second Acquisition Contract.

*Information about the First Vendor*

The First Vendor is a PRC state-owned enterprise principally engaged in the manufacturing of industrial machineries.

*Disclosure requirements*

Each of the First Acquisition Contract and the Second Acquisition Contract, constitutes a discloseable transaction of the Company and are required to be disclosed by way of this press announcement as soon as possible after the terms of the transaction have been finalised and the issue of a circular to the Company's shareholders within 21 days after publication of this announcement. The First Acquisition Contract and the Second Acquisition Contract, when aggregated together, still constitute a discloseable transaction.

**B. Major transaction with Zhuzhou Deguang Equipment Manufactory**

**HID xenon lamp machinery contract No. 1 (Third Acquisition Contract)**

*Date of contract*

17 July 2004

*Parties to the contract*

Vendor : the Second Vendor, which is an independent third party not connected with the directors, chief executive, substantial shareholder or management shareholder of the Company or any of its subsidiaries or an associate of any of them.

Purchaser : Tungda Fujian, a wholly-owned subsidiary of the Company.

*Assets acquired*

The Third Acquisition Contract includes eighty one sets of machinery that are collectively designed for the functions of glass tube cutting, baking and cleaning, leveling and connecting of parts, high speed vacuum exhausting, quality control and testing system in the HID xenon lamp production line.

*Consideration*

The consideration for the HID xenon lamp manufacturing equipment amounts to RMB41,800,500 (equivalent to HK\$39,810,000). When aggregated with the Fourth Acquisition Contract, the consideration amounts to approximately RMB64,368,486 (equivalent to HK\$61,303,320).

Such consideration was determined at arm's length negotiation between the parties and with reference to the specifications of the equipment and after other independent suppliers' quotes were obtained and considered by the Group. The consideration will be funded by internal resources of the Group.

The Board believes that such consideration is fair and reasonable and in the interest of all the shareholders of the Company as a whole.

#### *Payment terms*

The Third Acquisition Contract states that a total of RMB40,808,250 has been paid and the balance of RMB992,250 will be payable after testing and commencement of successful operation. The said payments took place in separate parts during the period from October 2003 to March 2004. Delivery of the HID xenon lamp manufacturing equipment is expected to be in or around the first quarter of 2005. The costs of further equipment required for the completion of the new production line for HID xenon lamp is estimated to be approximately HK\$78.7 million, subject to final confirmation. There is presently no commitment regarding the acquisition of such additional equipment.

#### *Benefits expected to accrue to the Group from the acquisition*

The HID xenon lamp manufacturing equipment acquired by the Group under the Third Acquisition Contract and the Fourth Acquisition Contract allows the Group to expand its product line to include HID xenon lamp, a popular type of car headlamps in developed countries including European Union and Japan, and is also one of the new products under development plan as per the Prospectus. Generally, HID xenon lamps consume only one-third of energy for the same brightness as the traditional filament headlamps. The Transport Department of the HKSAR passed a new regulation permitting the use of HID xenon lamps in January 2004. The Board expects completion of the initial phase installation of the new production line would be around the first quarter in 2005. The completion of the new production line for HID xenon lamp would require further equipment, which is subject to the progress of the Third Acquisition Contract and Fourth Acquisition Contract.

### **HID Xenon lamp machinery contract No. 2 (Fourth Acquisition Contract)**

#### *Date of contract*

27 July 2004

#### *Parties to the contract*

Vendor : the Second Vendor, an independent third party not connected with the directors, chief executive, substantial shareholder or management shareholder of the Company or any of its subsidiaries or an associate of any of them.

Purchaser : Tungda Fujian, a wholly-owned subsidiary of the Company.

#### *Assets acquired*

The assets acquired under the Fourth Acquisition Contract supplements the assets acquired under the Third Acquisition Contract for the HID xenon lamp production line, and includes fifteen sets of machinery that are collectively designed for the functions of precise production of glass bulb and vacuum capping in the HID xenon lamp production line.

### *Consideration*

The consideration for the HID xenon lamp manufacturing equipment amounts to RMB22,567,986 (equivalent to HK\$21,493,320). When aggregated with the Third Acquisition Contract, the consideration amounts to approximately RMB64,368,486 (equivalent to HK\$61,303,320).

Such consideration was determined at arm's length negotiation between the parties and with reference to the specifications of the equipment and after other independent suppliers' quotes were obtained and considered by the Group. The consideration will be funded by internal resources of the Group.

The Board believes that such consideration is fair and reasonable and in the interest of all the shareholders of the Company as a whole.

### *Payment terms*

The consideration under the Fourth Acquisition Contract is payable in four installments as follows: 1st installment of RMB8,363,250 which was stated to have been paid on or before the execution of the contract, 2nd installment of RMB6,300,000 will be payable on or before 31 September 2004, 3rd installment of RMB4,725,000 will be payable after installation and testing; and the remaining installment which will be payable after commencement of normal operation. Delivery of the HID xenon lamp manufacturing equipment is expected to take place in or around the first quarter of 2005. The costs of further equipment required for the completion of the new production line for HID xenon lamp is estimated to be approximately HK\$78.7 million, subject to final confirmation. There is presently no commitment regarding the acquisition of such additional equipment.

### *Benefits expected to accrue to the Group from the acquisition*

The HID xenon lamp manufacturing equipment acquired by the Group under the Third Acquisition Contract and the Fourth Acquisition Contract allows the Group to expand its product line to include HID xenon lamp, a popular type of car headlamps in developed countries including European Union and Japan, and is also one of the new products under development plan as per the Prospectus. Generally, HID xenon lamps consumes only one-third of energy for the same brightness as the traditional filament headlamps. The Transport Department of the HKSAR passed a new regulation permitting the use of HID xenon lamps in January 2004. The Board expects completion of the initial phase installation of the new production line would be around the first quarter in 2005. The completion of the new production line for HID xenon lamp would require further equipment, which is subject to the progress of the Third Acquisition Contract and Fourth Acquisition Contract.

### *Information about the Second Vendor*

The Second Vendor is an domestic enterprise established in PRC principally engaged in the manufacturing of industrial machineries.

### **Disclosure and approval requirements**

Each of the Third Acquisition Contract and the Fourth Acquisition Contract constitutes a discloseable transaction of the Company. The Third Acquisition Contract and the Fourth Acquisition Contract, when aggregated in accordance with Rule 19.22 of the GEM Listing Rules, constitute a major transaction of the Company and are required to be disclosed by way of this press announcement and

the issue of a circular to the Company's shareholders within 21 days after publication of this announcement. They are also subject to the approval by the Company's shareholders at a general meeting to be convened. Standard Exceed Limited, a shareholder holding approximately 50.65% of the issued share capital of the Company has indicated to the Company its approval of such major transaction.

## **THE GROUP**

The Group is principally engaged in the trading of energy-saving light source products manufactured by other manufacturers and the research and development, production and distribution of light source products under its own brands. Its current product offerings include incandescent lamps, fluorescent lamps, compact fluorescent lamps, high-intensity discharge lamps, halogen lamps, induction lamps and other lighting accessories.

## **PREVIOUS PURCHASE CONTRACTS**

The above purchase contracts dated 17 July 2004 were previously entered into by the Company respectively with the First Vendor and the Second Vendor during the period from September 2003 to June 2004. The First Acquisition Contract and Second Acquisition Contract were originally entered into between the Company and the First Vendor on 11 September 2003 at the same consideration under the contracts subsequently entered into on 17 July 2004 respectively. The Third Acquisition Contract was originally entered into between the Company and the Second Vendor on 7 October 2003 at a consideration of HK\$43,791,000 which was reduced to HK\$39,810,000 pursuant to a supplementary contract entered into on 17 June 2004 between the parties. Such reduction in price resulted from the choice of certain alternative parts for the equipment after negotiation between the parties during the period from October 2003 to June 2004 in the course of communications between the parties regarding the progress of the production of the equipment. Prior to the finalisation and execution of such original Third Acquisition Contract, the Company had entered into a contract on 2 October 2003 with the Second Vendor for the purchase of HID xenon lamp equipment of a larger scale at a consideration of HK\$121,000,000, which contract was cancelled by a cancellation agreement entered into between the parties on 5 October 2003. All of the purchase contracts entered into between the Company and each of the First Vendor and the Second Vendor during the period from September 2003 to June 2004 have not been accounted for on time in the Company's books inadvertently and announced previously since the management erroneously believed that the purchase of the machineries for the production of its products constituted ordinary activities of the Company and hence disclosure was not necessary.

On the advice of the Company's PRC legal adviser obtained in July 2004, the previous purchase contracts, which were likely unenforceable under PRC laws as they should have been executed by Tungda Fujian as a PRC entity rather than the Company, were cancelled by agreements entered into between the Company respectively with the First Vendor and the Second Vendor on 17 July 2004. Previous payments made under the cancelled contracts were acknowledged to have been paid under the new contracts made on 17 July 2004. The Company has not previously announced the entering into of the previous purchase contracts, issued a circular with further information regarding such transactions and obtain shareholders' approval, where necessary, and made relevant disclosure of such transactions in its previous interim and quarterly reports which may constitute a breach of Rules 19.34 and 19.38 of the GEM Listing Rules. As aforesaid, the management erroneously believed that the purchase of the machineries for the production of its products constituted ordinary activities of the Company. Accordingly the directors of the Company did not have in mind such transactions when making announcements pursuant to the Stock Exchange's requests under Rules 17.10 and 17.11 of the GEM Listing Rules (which stated, among other things, that



there were no negotiations or agreements relating to intended acquisitions or realizations discloseable under Chapters 19 to 20 of the GEM Listing Rules). The Stock Exchange reserves its rights to take action against the Company and/or its directors regarding the breach of the GEM Listing Rules in this regard.

The Company considers that the cancellation and re-execution of the purchase contracts have no adverse financial impact to the Group. In the section headed “Business Objectives and Implementation Plans” in the Prospectus, a budget of HK\$18 million from the offer proceeds was allocated for purchasing production machinery and ancillary facilities. The Group has spent approximately HK\$97,232,000 and has committed to spend approximately HK\$27,413,000 on purchasing the production machinery and equipment since the date of the listing of the Company. The Group has incurred additional expenses in the amount of HK\$106,645,000 for such purposes in accordance with the terms of the above purchase contracts, which were financed by internal resources. At the time of the listing of the Company, the Group intended to expand its manufacturing capacity by setting up additional production lines in Shenzhen. However, to cope with new business demand after listing, the Group decided to set up a new plant in Fujian instead, which commenced production in May 2003. The equipment purchased under the above purchase contracts is required for the setting up of such new plant.

#### **FURTHER POSTPONEMENT OF BOARD MEETING, DELAY IN THE PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND DISPATCH OF ANNUAL REPORT AND DELAY IN THE PUBLICATION OF FIRST QUARTERLY RESULTS**

Reference is made to the Company’s announcements dated 21 June 2004 and 29 June 2004 regarding the postponement of the meeting of the Board to consider the approval of the audited final results of the Group for the financial year ended 31 March 2004. Reference is also made to the Company’s announcement dated 8 July 2004 regarding the engagement of an external accounting firm to assist the audit committee in answering questions of the auditors and performing additional tasks to address issues raised by the auditors in relation to the audit.

The Board announces that the Company will further postpone its Board meeting to approve the annual results to a date to be further announced pending further clarifications with the auditor for finalising the audit report . The external accounting firm has produced its report dated 30 August 2004 to the audit committee which report has been copied to the auditors on 31 August 2004. The audit committee is satisfied that they contain all the information necessary for the auditors to complete the audit. In view of the status, the Board presently expects the date for finalising the audit to be on or before 21 October 2004.

Due to the abovementioned matters, the publication of the annual results and the annual report of the Company will also be delayed. The publication of the subsequent first quarterly results will also be delayed. The Company expects the annual results to be announced immediately following the meeting of the Board approving the same and the annual report to be dispatched to its shareholders as soon as practicable thereafter. An announcement will be made once the date of the board meeting is fixed. The Directors are not aware of any other material matter which ought to be brought to the attention of the Company’s shareholders.

Such delay in the publication of the annual results announcement and the dispatch of the annual report of the Company to its shareholders and the publication of the quarterly report constitutes a breach of Rules 18.03, 18.49 and 18.66 of the GEM Listing Rules and the articles of association of the Company. In this regard, the Stock Exchange reserves its right to take action against the Company and/or the Directors.

The Directors have confirmed with the Company that they have not dealt in the securities of the Company since 31 May 2004 and will not deal in the securities of the Company until the audited annual results are announced.

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m. on 29 July 2004. Trading in the shares of the Company will remain suspended until further notice.

## **TERMS USED IN THIS ANNOUNCEMENT**

“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of directors of the Company
“Company”	Tungda Innovative Lighting Holdings Limited
“First Acquisition Contract”	the contract entered into between the First Vendor and Tungda Fujian on 17 July 2004 for the purchase of induction lamp manufacturing equipment
“First Vendor”	洛陽起重機廠 (Luoyang Lifting Machine Factory)
“Fourth Acquisition Contract”	the contract entered into between the Second Vendor and Tungda Fujian on 27 July 2004 for the purchase of HID xenon lamp manufacturing equipment
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM, as are in force from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars
“PRC”	The People’s Republic of China
“Prospectus”	the prospectus of the Company for its initial public offering on the GEM in 2002
“RMB”	Renminbi, the lawful currency of the PRC
“Second Acquisition Contract”	the contract entered into between the First Vendor and Tungda Fujian on 17 July 2004 for the purchase of microwave sulphur lamp manufacturing equipment
“Second Vendor”	株洲市德光設備製造廠 (Zhuzhou Deguang Equipment Manufactory)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Acquisition Contract”	the contract entered into between the Second Vendor and Tungda Fujian on 17 July 2004 for the purchase of HID xenon lamp manufacturing equipment
“Tungda Fujian”	Tungda Lighting (Fujian) Co., Ltd., a wholly foreign-invested enterprise established in the PRC and a wholly-own subsidiary of the Company
“%”	per cent.

By order of the Board  
**CHU CHIEN TUNG**  
*Chairman*

Hong Kong, 27 September 2004

*Executive directors:*

Mr. Chu Chien Tung  
Mr. Chu Chick Kei  
Mr. Chu Sen Hei  
Ms. Chow Sau Fong, Fiona

*Non-executive director:*

Dr. Fung Shiu Lun, Anthony

*Independent non-executive directors:*

Mr. Hong Yong Hwan  
Mr. Zhu Lei Bo  
Ms. Wu King Yin

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting.*