

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TC ORIENT LIGHTING HOLDINGS LIMITED

達進東方照明控股有限公司

(Incorporated in the Cayman Islands with limited liability)

website: www.tatchun.com

(Stock Code: 515)

ANNOUNCEMENT

UPDATE ON THE PROGRESS OF FULFILMENT OF RESUMPTION CONDITIONS, CLARIFICATION ON THE FINANCING TRANSACTIONS, INDEPENDENT FORENSIC INVESTIGATION REPORT, FURTHER DELAY IN DISPATCH OF ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 AND FURTHER DELAY IN PUBLICATION OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

This announcement is made by TC Orient Lighting Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.24A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to:

- (i) the Company’s announcement dated 30 April 2015 in relation to, inter alia, the Incidents arising from the Financing Transactions, the Court Order affecting Zhongshan Tat Chun and the Demand Letter from the Lenders (the “**Initial Announcement**”);
- (ii) the Company’s announcement dated 15 May 2015 in relation to the First Petition against Tat Chun PCB;
- (iii) the Company’s announcement dated 9 July 2015 in relation to the Second Petition against the Company;
- (iv) the Company’s announcement dated 7 August 2015 in relation to the resumption conditions imposed by the Stock Exchange (the “**Resumption Conditions**”);

- (v) the Company's announcement dated 18 August 2015 in relation to the withdrawal of the Court Order and all related pre-trial asset-preserving injunctions and legal proceedings involving Zhongshan Tat Chun, Tat Chun PCB and the Company, and the dismissal of the First Petition and the Second Petition;
- (vi) the Company's announcement dated 31 August 2015 in relation to, inter alia, the engagement of FTI as our independent forensic specialist and the engagement of RSM as our internal control adviser; and
- (vii) the Company's announcement dated 6 November 2015 in relation to, inter alia, an update on the progress in the fulfillment of the Resumption Conditions.

Unless the context otherwise requires, capitalized terms in this announcement shall have the same meanings as defined in the aforementioned announcements.

RECAP ON THE BACKGROUND OF THE FINANCING TRANSACTIONS

By way of background, according to the Initial Announcement:

- (i) The Court Order was a pre-trial asset-preserving injunction granted by the Bao An Court upon the application of Huang Shuidi (being one of the Lenders) in relation to certain alleged loan transactions (the “**Court Order Related Loans**”) between Huang Shuidi, Shenzhen Optoelectronic Industry Holdings Group Company Limited (深圳光電產業控股集團有限公司) (“**Shenzhen Optoelectronic**”), Chen Jing, Zhongshan Tat Chun (a wholly-owned subsidiary of the Company) and Shenzhen City Jin Lai Shun Group Company Limited (深圳市金來順集團有限公司) (“**Jin Lai Shun**”), to restrain various parties including Zhongshan Tat Chun from disposing of its assets in the total amount of RMB12,340,000 (HK\$14,518,000).
- (ii) The Demand Letter was received by Tat Chun PCB (a wholly-owned subsidiary of the Company) from a solicitors firm acting for the Lenders (i.e. Huang Shuidi, Wu Qianhong and Huang Guihua), alleging that Zhongshan Tat Chun had provided seven Guarantees to secure the repayment of certain loans granted by the Lenders to Chen Jing and Shenzhen Optoelectronic (the “**Guarantee Related Loans**”) in the total amount of RMB39,048,000 (HK\$45,939,000), comprising loan principal of RMB31,000,000 (HK\$36,471,000) and accrued interest of RMB8,048,000 (HK\$9,468,000).
- (iii) The Demand Letter also alleged that Tat Chun PCB jointly and severally with the Company executed the Indemnity in favour of the Lenders and Chen Guiyang, pursuant to which Tat Chun PCB and the Company purportedly covenanted to pay to the Lenders and Chen Guiyang debts owed to them by Chen Jing and Shenzhen Optoelectronic in the total amount of RMB77,720,000 (HK\$91,435,000) (the “**Indemnity Related Loans**”), comprising loan principal of RMB60,700,000 (HK\$71,412,000) and accrued interest of RMB17,020,000 (HK\$20,024,000).

CLARIFICATION ON THE TYPOGRAPHICAL ERROR CONTAINED IN THE INITIAL ANNOUNCEMENT

The Company wishes to clarify that the Initial Announcement contains a typographical error. In paragraph numbered 1 of the section headed “Demand Letter” of the Initial Announcement, it was stated that “*Zhongshan Tat Chun had provided seven guarantees (the “Guarantees”) for securing the repayment of the loans granted by the Lenders to Chen Jing and Shenzhen Optoelectronic in the total principal amount of HK\$31,000,000.00 (the “Guaranteed Principal”)*”. The Company wishes to clarify that the reference to “HK\$31,000,000” in this sentence is wrong and should be a typographic error for “RMB31,000,000”.

ADDITIONAL INFORMATION REGARDING THE FINANCING TRANSACTIONS

In addition, the Company wishes to provide the following additional information on the Financing Transactions, which were revealed by the Company and the Investigation Committee after conducting further work of findings on the Financing Transactions:

- (i) Based on the allegations of the Lenders, there were seven purported Guarantees and seven corresponding loans purportedly guaranteed by Zhongshan Tat Chun under the Guarantees. Details of the seven Guarantee Related Loans are as follows:

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

Notes:

- (a) Accrued interest refers to the interest accrued up to 11 April 2015 as alleged by the Lenders in the Demand Letter, based on the assumption that interest was charged at the rate of 3% per month as alleged by the Lenders.
- (b) The loan agreement relating to Loan A provided by the Lenders purports to be dated 10 October 2014, which is suspected to be a typographical error for 10 October 2013, as the loan agreement specified the loan period was from 10 October 2013 to 9 October 2014.

- (ii) Based on the findings of the Company and the Investigation Committee, the Guarantee Related Loans appear to refer to Loan C as stated above. Therefore, the Guarantee Related Loans appear to have already included the Court Order Related Loans.
- (iii) Based on the allegations of the Lenders, there were twelve loans purportedly indemnified by the Company and Tat Chun PCB, comprising (1) the seven Guarantee Related Loans (i.e. Loans A to G above); and (2) five other loans owed by Chen Jing and Shenzhen Optoelectronic to the Lenders and Chen Guiyang (the “**Indemnity Related Additional Loans**”) in the total amount of RMB38,672,000 (HK\$45,496,000) comprising loan principal of RMB29,700,000 (HK\$34,941,000) and accrued interest of RMB8,972,000 (HK\$10,555,000). Details of the five Indemnity Related Additional Loans are as follows:

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

Notes:

- (a) Accrued interest refers to the interest accrued up to 11 April 2015 as alleged in the copy of the Indemnity provided by the Lenders. The Indemnity only refers to the total accrued interest of Loan A to Loan L, and the breakdown of the alleged accrued interest of Loan H to Loan L, individually, was calculated by the Company for reference only, based on the assumption that interest was charged at the rate of 3% per month as alleged by the Lenders.
- (b) The Company has not been provided with any copy of the loan agreements in respect of Loan H, Loan I, Loan J, Loan K and Loan L, and the details about these loans (including the purported dates of advance of these loans) were merely stated in the copy of the Indemnity provided by the Lenders.
- (iv) Based on the findings of the Company and the Investigation Committee, the Indemnity Related Loans appear to have already included the Guarantee Related Loans.

INDEPENDENT FORENSIC INVESTIGATION REPORT

The Company wishes to provide its shareholders (“**Shareholders**”) with a further update on the progress in the fulfillment of the Resumption Conditions.

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

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

FORENSIC WORK PERFORMED

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

- (i) reviewing the documents relating to the Guarantees and the Indemnity, the correspondence with the Lenders and their legal advisers, legal opinion obtained by the Company in respect of the Incidents, and the Company’s books and records;
- (ii) conducting interviews with certain directors of the Company and certain management of Zhongshan Tat Chun to understand the circumstances leading to the Incidents, and the procedures and workflow relating to, and the persons involved in, the execution of the Financing Transactions;
- (iii) conducting a forensic review on computers and electronic records and data that are relevant to the investigations on the Incidents and to identify any other unidentified guarantees and undertakings given by the Group;
- (iv) liaising with various banks in Hong Kong and China which have business relationships with the Group (the “**Relationship Banks**”) to confirm the details of guarantees and indemnity (if any) provided by the Company, Tat Chun PCB and Zhongshan Tat Chun;
- (v) conducting public record searches on parties which are relevant to the Incidents; and
- (vi) conducting a walk-through test of the usual procedures of the Group for the use of chops and seals and the grant of guarantees or indemnities in favour of third parties.

KEY FINDINGS OF FORENSIC INVESTIGATION

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

- (i) The alleged underlying debts under the Guarantees and the Indemnity were loans borrowed from the Lenders by Mr. Chen Jing (ex-Chairman and Director of the Company) and Shenzhen Optoelectronic, a limited liability company established in the People's Republic of China (the "PRC").
- (ii) Based on publicly-available information obtained by FTI, Shenzhen Optoelectronic is 40% owned by Jin Lai Shun, a limited liability company established in the PRC, which is in turn 62% owned by Mr. Chen Jing.
- (iii) The Guarantees purportedly provided by Zhongshan Tat Chun and the Indemnity purportedly given by Tat Chun PCB were not duly considered or approved by the Board, Tat Chun PCB or Zhongshan Tat Chun. Based on the findings of FTI, two individuals were found to have been involved in the execution of the Guarantees and the Indemnity, namely Mr. Chen Jing and Mr. Li Jiaxiong (former legal representative of Zhongshan Tat Chun and nephew of Mr. Chen Jing). It was admitted by Mr. Chen Jing and Mr. Li Jiaxiong that they have signed the Guarantees and the Indemnity purportedly for and on behalf of the Company, Tat Chun PCB and Zhongshan Tat Chun without obtaining the consent of their respective boards of directors.
- (iv) The Company, Tat Chun PCB and Zhongshan Tat Chun had no internal control policy or procedure governing the granting of guarantee or indemnity in favour of third parties. Zhongshan Tat Chun did put in place internal control procedures governing the usage of the company chops, but Mr. Chen Jing and Mr. Li Jiaxiong did not follow such procedures in executing the Guarantees. The walk-through test conducted by FTI also revealed that the application forms for the use of the company chops of Zhongshan Tat Chun were not properly signed by the designated management.
- (v) Without admitting liability on the part of the Company, Zhongshan Tat Chun or Tat Chun PCB and assuming (without admitting or concurring) the accuracy and genuineness of the allegations of the Lenders, the total liability exposure of the Group under the Incidents arising from the Financing Transactions, the Court Order and the Demand Letter is equivalent to the total amount of the loan principal and accrued interest purportedly indemnified by Tat Chun PCB and the Company under the Indemnity as disclosed in the Company's announcement dated 30 April 2015, i.e. RMB77,720,000 (HK\$91,435,000) as of 11 April 2015, plus any additional interest and costs and ancillary remedies which may be awarded by any relevant judicial authorities.
- (vi) No other unauthorized guarantee or indemnity of the Group was identified. The Incidents and the Financing Transactions appear to be an isolated event.
- (vii) Despite the deficiencies of the internal control procedures of the Group and the above findings, it would appear that the Incidents have no impact on the financial and operational position of the Group, because the Group was fully discharged and released from the Court Order, the First Petition and the Second Petition, as disclosed in the

Company's announcements dated 18 and 31 August 2015. However, the continued suspension of trading of the Company's shares ("**Shares**") may cause concern about the prospects of the Group and may adversely impact on the Group's operations.

RECOMMENDATIONS FOR INTERNAL CONTROL

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

1. The Company should put in place new internal control policies and procedures for the entire Group (the "**New IC Procedures**"), which shall be documented in writing, approved by the board of directors of the Company (the "**Board**") and circulated to all staff members of the Group.
2. The New IC Procedures should strengthen the internal control over the safekeeping, use and approval for use of company chops of the Group.
3. New IC Procedures should put in place restrictions on the grant of guarantee or indemnity by any entity of the Group in favour of third parties and, in particular, connected persons of the Company.
4. The New IC Procedures should require that all significant matters and important decisions made by the Company's subsidiaries should be properly documented and reported to the Company's management in a timely manner. Where appropriate or necessary, affairs of the Company's subsidiaries should be brought to the attention of the Board and external legal advisers should be consulted.
5. Internal auditor should be engaged to ensure compliance of internal control procedures by the Group's staff.
6. Registers of computers for both current and departed staff members of the Group should be maintained.

REMEDIAL MEASURES TAKEN BY THE COMPANY

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

1. On 5 November 2015, the Board has adopted a comprehensive set of New IC Procedures which not only cover the usage of chops and grant of guarantees and indemnities but also policies regarding: (a) investment decisions; (b) handover of work on change of key personnel; (c) risk assessment and control; (d) external communication; (e) financial reporting, budgeting and closing, bank reconciliation, accounting system and records; (f) cash management and loans approval; (g) sales contract management, sales order approval and credit control; (h) purchase contract

management and procurement; (i) record registration, management, depreciation and disposal of fixed assets; (j) stock take, reconciliation and record registration of inventory; (k) management and filing of contract authorization and execution; (l) human resources and payroll; (m) production, materials monitoring and quality; and (n) information technology controls.

2. In the first week of December 2015, the New IC Procedures have been circulated to all staff members of the Group. The heads of the departments of each and every key operating subsidiary of the Company in China was delegated the responsibility to provide introductory training to his staff members on the New IC Procedures.
3. On 5 November 2015, the Board has established the Compliance Committee to oversee matters of the Group relating to regulatory and compliance, internal control and corporate governance requirements.
4. On 16 November 2015, the Company has arranged for directors' training to all members of the Board to keep them abreast of the compliance rules and regulations applicable to listed companies in Hong Kong.
5. The Company is recruiting a full-time compliance officer and internal auditor(s) to take up the overall responsibilities and functions of the Group in relation to our financial reporting procedures, compliance, corporate governance, internal control systems and directors' training.

FURTHER DELAY IN DISPATCH OF ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Pursuant to Rule 13.46(1)(a) of the Listing Rules, the Company is required to send its 2014 Annual Report to its Shareholders not more than four months after the end of the financial year to which it relates (i.e. on or before 30 April 2015). The Board currently expects that our 2014 Annual Report should be ready for dispatch in or around late January 2016.

FURTHER DELAY IN PUBLICATION OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Pursuant to Rule 13.49(6)(b) of the Listing Rules, the Company is required to publish its preliminary announcement of the 2015 Interim Results not later than two months after the end of the financial period to which it relates (i.e. on or before 31 August 2015). In view of the expected timetable for the finalization and dispatch of our 2014 Annual Report, the Board currently expects that our 2015 Interim Results should be ready for publication in or around late February 2016.

The Company will make further announcement(s) to inform the Shareholders of the date of release of our 2014 Annual Report and 2015 Interim Results, or if there is any material change to the expected timetable disclosed above.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 10:48 a.m. on 24 April 2015. Trading of the Shares will remain suspended until further notice.

In this announcement, amounts denominated in RMB have been converted into HK\$ at the exchange rate at HK\$1.00 = RMB0.85 for illustration purposes only.

By order of the Board
TC Orient Lighting Holdings Limited
Chen Yongsen
Chairman

Hong Kong, 6 January 2016

As at the date hereof, the executive Directors are Mr. Chen Yongsen (Chairman), Mr. Wang Shi Jin (Chief Executive Officer), Mr. Zhu Jianqin, Mr. Chen Zheng Xue and Ms. Shi Qiu Yu; and the independent non-executive Directors are Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny and Mr. Zhang Xiaofei.