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TC ORIENT LIGHTING HOLDINGS LIMITED
達進東方照明控股有限公司

(Incorporated in the Cayman Islands with limited liability)
website: www.tatchun.com
(Stock Code: 515)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017.

The unaudited condensed consolidated financial information for the six months ended 30 June 2017 have been reviewed by the Group's auditors, HLB Hodgson Impey Cheng Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	3	**316,708**	187,940
Cost of sales		**(284,947)**	(175,396)
Gross profit		**31,761**	12,544
Other income		**12,423**	8,623
Other gains and losses		**454**	(3,860)
Selling and distribution expenses		**(10,563)**	(13,709)
Administrative expenses		**(28,829)**	(43,282)
Finance costs		**(13,794)**	(5,112)
Loss before tax		**(8,548)**	(44,796)
Income tax expense	4	**(5,379)**	(222)
Loss for the period	5	**(13,927)**	(45,018)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Deficit on revaluation of properties		**(505)**	–
Deferred tax liabilities arising from revaluation of properties		**126**	–
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**1,779**	2,271
Total comprehensive expense for the period		**(12,527)**	(42,747)

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

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June **2017** ***HK$'000*** **(unaudited)**	2016 *HK$'000* (unaudited)
Loss for the period attributable to:			
Owners of the Company		**(19,764)**	(44,735)
Non-controlling interests		**5,837**	(283)
		(13,927)	(45,018)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(18,588)**	(42,425)
Non-controlling interests		**6,061**	(322)
		(12,527)	(42,747)
Loss per share (HK cents)			
— Basic and diluted	7	**(1.92)**	(6.79)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017 HK$'000 (unaudited)**	31 December 2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	8	**175,790**	186,578
Prepaid lease payments			
— non-current portion		**31,005**	31,463
Interest in associates		**24,404**	24,404
Trade receivables with extended credit terms	9(a)	**36,605**	41,998
		267,804	284,443
Current assets			
Inventories		**67,154**	70,523
Prepaid lease payments — current portion		**915**	915
Trade and other receivables	9(a)	**502,438**	415,171
Bills receivable	9(b)	**95**	4,528
Pledged bank deposits		**39,164**	79,051
Bank balances, deposits and cash		**37,829**	67,761
		647,595	637,949
Current liabilities			
Trade and other payables	10(a)	**394,815**	352,692
Bills payable	10(b)	**39,164**	80,541
Taxation payable		**80,220**	75,098
Bank borrowings — due within one year		**133,372**	133,468
Obligations under finance leases			
— due within one year		**113**	225
		647,684	642,024
Net current liabilities		**(89)**	(4,075)
Total assets less current liabilities		**267,715**	280,368

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

	Notes	**30 June 2017** **HK$'000** **(unaudited)**	31 December 2016 *HK$'000* (audited)
Non-current liabilities			
Deferred taxation		**14,877**	15,003
		14,877	15,003
Net assets		**252,838**	265,365
Capital and reserves			
Share capital		**102,964**	102,964
Reserves		**143,953**	162,541
Equity attributable to owners of the Company		**246,917**	265,505
Non-controlling interests		**5,921**	(140)
Total equity		**252,838**	265,365

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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.

(b) Basis of preparation of Interim Financial Statements

Going concern basis

The Group incurred a loss of approximately HK$13,927,000 during the six-month period ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$89,000. In preparing the Interim Financial Statement, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the Interim Financial Statement and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group.

(1) Renewal for bank borrowings

As of 30 June 2017, the total outstanding amount of bank borrowings of the Group was approximately HK$133,372,000 and due for repayment by 30 June 2018. The Group is the process of negotiating with those lenders for potential renewal or extension of those outstanding amounts.

(2) *Attainment of profitable and positive cash flow operations*

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

(3) *Necessary facilities*

The Group is in the process of negotiating with banks and financial institutions with the view to applying for loan facilities to meet the Group's working capital and financial requirements in the near future.

In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the Interim Financial Statements on a going concern basis.

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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses

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

3. SEGMENT INFORMATION

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

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Segment turnover — external sales		
Manufacturing and trading of single-sided printed circuit boards ("PCB") ("Single-sided PCB")	**55,325**	44,167
Manufacturing and trading of double-sided PCB ("Double-sided PCB")	**83,791**	70,214
Manufacturing and trading of multi-layered PCB ("Multi-layered PCB")	**57,680**	56,879
Manufacturing and trading of light emitting diode ("LED") lighting ("LED lighting")	**–**	16,680
Tradings of tower and electric cable	**119,912**	–
Total	**316,708**	187,940
Segment profit / (loss)		
Single-sided PCB	**(4,163)**	(7,862)
Double-sided PCB	**(6,305)**	(12,498)
Multi-layered PCB	**(4,340)**	(10,125)
LED lighting	**(1,462)**	(10,304)
Tradings of tower and electric cable	**21,304**	–
	5,034	(40,789)
Other income	**915**	1,716
Central administrative costs	**(703)**	(611)
Finance costs	**(13,794)**	(5,112)
Loss before tax	**(8,548)**	(44,796)

Segment loss represents the loss incurred by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative costs (mainly including audit fee, exchange loss and depreciation of property, plant and equipment for administrative purpose) and finance costs. This is the measure reported to the Group's Chairman, who is the chief operating decision maker, for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profit Tax	**914**	–
PRC Enterprise Income Tax ("EIT")	**4,465**	222
	5,379	222

Hong Kong Profits Tax is calculuted at 16.5% for each of the assessable profits for the period ended 30 June 2017.

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	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Directors' emoluments	**2,812**	3,098
Other staff costs	**46,758**	59,378
Total staff costs	**49,570**	62,476
Amortisation of prepaid lease payments	**458**	308
Depreciation of property, plant and equipment	**11,096**	13,039
Imputed interest income on trade receivables with extended credit terms (included in other income)	**(2,421)**	(2,112)
Interest income on bank deposits and bank balances (included in other income)	**(739)**	(1,315)
Sales of scrap materials (included in other income)	**(7,605)**	(4,723)
Government grants (note)	**(126)**	(155)

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 2016: 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	
	2017	2016
	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	**(19,764)**	(44,735)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,029,638**	658,908

The calculation of the diluted loss per share for the periods ended 30 June 2017 and 2016 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 revaluation deficit of HK$505,000 was recognised to the properties revaluation reserve during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

During the six months ended 30 June 2017, the Group paid HK$1,000,000 (six months ended 30 June 2016: HK$96,000) 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$399,165,000 (31 December 2016: HK$308,369,000) as follows:

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Trade receivables with normal credit terms	**282,353**	176,985
Less: Allowance for doubtful debts	**(1,473)**	(1,473)
	280,880	175,512
Trade receivables with extended credit terms	**136,139**	152,194
Less: Allowance for doubtful debts	**(17,854)**	(19,337)
	118,285	132,857
Total trade receivables, net of allowance for doubtful debts	**399,165**	308,369
Less: Non-current portion of trade receivables with extended credit terms	**(36,605)**	(41,998)
Current portion of trade receivables	**362,560**	266,371

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 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)	**30 June 2017** *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)	**30 June 2017** *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
0–30 days	**–**	–	**41,082**	68,418	**41,082**	68,418
31–60 days	**–**	–	**37,651**	41,191	**37,651**	41,191
61–90 days	**–**	–	**30,381**	26,341	**30,381**	26,341
91–180 days	**–**	–	**154,381**	31,586	**154,381**	31,586
Over 180 days	**118,285**	132,857	**17,385**	7,976	**135,670**	140,833
	118,285	132,857	**280,880**	175,512	**399,165**	308,369

(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 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
0–30 days	–	109
31–60 days	–	454
61–90 days	–	3,965
91–180 days	95	–
Over 180 days	–	–
	95	4,528

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 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
0–30 days	19,958	25,889
31–60 days	16,974	28,524
61–90 days	21,561	13,211
91–180 days	30,930	33,287
Over 180 days	53,553	40,575
	142,976	141,486
Other payables	226,459	190,849
Accrued salaries and other accrued charges	25,380	20,357
	394,815	352,692

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

(b) Bills payable

The aging analysis of bills payable is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**8,385**	8,463
31–60 days	**13,519**	13,006
61–90 days	**3,677**	30,131
91–180 days	**13,583**	28,941
	39,164	80,541

EXTRACT FROM REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is an extract of the independent auditors' review report on the Group's interim financial information for the six months ended 30 June 2017:

Conclusion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) to the interim financial information, which indicates that the Group incurred a loss of approximately HK$13,927,000 during the six-month period ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$89,000. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

BUSINESS REVIEW

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

	For the six months ended 30 June					
	2017		2016		Increase/ (decrease)	Change in
	HK$'000	**%**	*HK$'000*	%	*HK$'000*	%
LED lighting	**–**	**–**	16,680	1.0	(16,680)	(100.0)
Single-sided PCB	**55,325**	**17.5**	44,167	31.3	11,158	25.3
Double-sided PCB	**83,791**	**26.4**	70,214	36.0	13,577	19.3
Multi-layered PCB	**57,680**	**18.2**	56,879	31.7	801	1.4
Trading of tower and electric cable	**119,912**	**37.9**	–	–	119,912	100.0
Total	**316,708**	**100.0**	187,940	100.0	128,768	68.5

Revenue from LED lighting business for the six months ended 30 June 2017 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 43.9% of the Group's turnover. High-end multi-layered PCBs were also a core product of the Group, accounting for 18.2% of turnover.

Since second half year of 2016, the Group has participated in the tradings of tower and electric cable business in PRC. For the six months period ended 30 June 2017, this business sector has generated revenue amounted of HK$119,912,000.

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

	For the six months ended 30 June					
	2017		2016		Increase/ (decrease)	Change in
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	**30,307**	**9.6**	40,424	21.5	(10,117)	(25.0)
The PRC	**253,646**	**80.1**	100,310	53.4	153,336	152.9
Asia (Excluding Hong Kong and the PRC)	**6,206**	**2.0**	18,702	10.0	(12,496)	(66.8)
Europe	**23,849**	**7.5**	23,009	12.2	840	3.7
Others	**2,700**	**0.8**	5,495	2.9	(2,795)	(50.9)
Total	**316,708**	**100.0**	187,940	100.0	128,768	68.5

During the period under review, the Group's revenue increased mainly due to the increase of revenue generated by the new business segment of tradings of tower and electric cable.

FINANCIAL REVIEW

During the period under review, the Group's turnover amounted to approximately HK$316.7 million, representing an increase of 68.5% as compared to approximately HK$187.9 million for the corresponding period last year. The gross profit margin for the six months ended 30 June 2017 was 10.0%. The gross profit margins for the segment of manufacturing and tradings of PCBs and tradings of the tower and electric cable segment were 1.0% and 24.8% respectively.

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

To leverage on existing customer network and experience in manufacturing and trading in China and overseas, we started tower and electric cable business in second half 2016. In this new segment, we sourced raw materials from local and overseas market to supply to a manufacturer of electric tower and cable manufacturer. Although the initial performance of this new segment is promising, the revenue for this segment was so far contributed by a single customer. As such, the management anticipates that it takes time for the Group to expand and diversify its source and clientele to establish a sustainable business model for the new segment.

Loss attributable to shareholders was approximately HK$19.8 million (2016: HK$44.7 million).

The PCB business has been the Group's main source of income for many years. During the first half of 2017, the Group was unable to secure more purchase orders from new and existing customers for higher-end and precision PCB products notwithstanding the increase in market demand of PCB products for LED and automobile industries. The principal reason for the Group's failure in obtaining more PCB orders from customers is the lack of capital for upgrading the Group's equipment and machinery to enhance precision, speed and quality and to bring in line with the new industry standard of robotic automation and artificial intelligence. Due to the delay and ultimate abortion of the equity fundraising launched by the Company back in September 2016, the Company is lacking sufficient budget to invest on new and additional machinery. The Board is of the view that the Company should try its best to raise additional funding to finance its machinery acquisition to maintain our competitiveness.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2017, the Group had total assets of approximately HK$915.4 million (31 December 2016: HK$922.4 million) and interest-bearing borrowings of approximately HK$231.4 million (31 December 2016: HK$243.4 million), representing a gearing ratio (defined as interest-bearing borrowings over total assets) of approximately 25.3% (31 December 2016: 26.4%).

The Group had net current liabilities of approximately HK$89,000 (31 December 2016: HK$4.1 million) consisted of current assets of approximately HK$647.6 million (31 December 2016: HK$637.9 million) and current liabilities of approximately HK$647.7 million (31 December 2016: HK$642.0 million), representing a current ratio of approximately 1.0 (31 December 2016: 0.99).

As at 30 June 2017, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$77.0 million (31 December 2016: HK$146.8 million). As at 30 June 2017, the Group had bank balances, deposit and cash of approximately HK$37.8 million (31 December 2016: HK$67.8 million).

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars ("HK$") and Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars ("US$") is required to settle the Group's expenses and additions on property, plant and equipment. There are also sales transactions denominated in US$ and RMB. The Group will consider using forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

DIVIDENDS

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

HUMAN RESOURCES

As at 30 June 2017, the Group employed a total of approximately 1,209 employees (31 December 2016: 1,322), including approximately 1,162 employees in its Zhongshan production site, 28 employees in its PRC LED business units and approximately 19 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

SUBSCRIPTIONS OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND APPLICATION FOR WHITEWASH WAIVER

As announced by the Company on 26 September 2016, the Company and 17 CB Subscribers (including OEIL) entered into the CB Subscription Agreements in relation to the issue of convertible bonds of the Company in an aggregate principal amount of HK$285,000,000. The initial conversion price was HK$0.10 per conversion share. The subscription of the convertible bonds are subject to, inter alia, the grant of whitewash waiver and independent shareholders‘ approval at the general meeting. On 30 June 2017 and 21 July 2017, respectively, the Company and the CB subscribers mutually consented in writing to terminate the CB Subscription Agreements, discharging each other from all obligations thereunder. Accordingly, OEIL has withdrawn its application for the Whitewash Waiver.

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. However, due to the lack of sufficient budget to support the investment on new machinery, the schedule for introducing new corporate customers in the copper-based PCB sector has lagged behind.

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 street light projects in the PRC with shorter receivable cycle.

CHARGE OF ASSETS

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Buildings	**127,306**	129,778
Plant and machinery	**8,735**	–
Pledged bank deposits	**39,164**	79,051
Prepaid lease payments	**18,536**	18,843
Bills receivables	**–**	1,544
	193,741	229,216

LITIGATIONS

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

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

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

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

OTHER INFORMATION

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

During the six months ended 30 June 2017, 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 2017 to 30 June 2017, except the deviation disclosed in the following paragraph:

(i) In relation to A.6.7 of the CG Code, independent non-executive directors should attend the annual general meeting of the Company. Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Wong Kwok On and Ms. Chen Lei did not attend the annual general meeting of the Company held on 2 June 2017 due to other commitments.

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 2017.

Audit Committee

As at 30 June 2017, the Audit Committee of the Company ("AC") comprised of five independent non-executive Directors, namely, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Wong Kwok On, Mr. Bonathan Wai Ka Cheung and Ms. Chen Lei. One out of five AC members, Mr. Anson Poon Wai Kong possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. As at 30 June 2017, Mr. Anson Poon Wai Kong 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 Interim Financial Statements for the six months ended 30 June 2017 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 29 August 2017

As at the date hereof, the executive Directors are Mr. Chen Yongsen (Chairman), Mr. Wang Shi Jin (Chief Executive Officer), Mr. Chen Hua, Mr. Xu Ming and Mr. Guo Jun Hao; and the independent non-executive Directors are Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Wong Kwok On, Mr. Bonathan Wai Ka Cheung and Ms. Chen Lei.