

Tungda Innovative Lighting Holdings Limited

東大新材料照明控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8229)

FIRST QUARTERLY
REPORT

2008/09

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This report, for which the directors of Tungda Innovative Lighting Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FIRST QUARTERLY REPORT

The board of directors (the "Board") of Tungda Innovative Lighting Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 30th June, 2008 together with the unaudited comparative figures for the corresponding period in 2007 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 30th June, 2008		2007
	<i>Notes</i>	HK\$'000	HK\$'000	
Turnover	3	12,015	13,269	
Cost of sales		(4,699)	(4,897)	
Gross profit		7,316	8,372	
Other income and gain, net		751	561	
Selling expenses		(222)	(387)	
Administrative expenses		(3,066)	(4,134)	
Profit from operations		4,779	4,412	
Finance costs		(9)	(3)	
Profit before taxation		4,770	4,409	
Taxation	4	(1,755)	(853)	
Profit for the period		3,015	3,556	
Dividend	5	-	-	
Earnings per share	6	0.27 HK cents	0.32 HK cents	

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Special reserve	Translation reserve	General reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2007	11,056	101,670	(2,128)	18,655	17,383	177,759	324,395
Exchange realignment	-	-	-	6,905	-	-	6,905
Profit for the period	-	-	-	-	-	3,556	3,556
At 30th June, 2007	11,056	101,670	(2,128)	25,560	17,383	181,315	334,856
At 1st April, 2008	11,056	101,670	(2,128)	45,430	17,383	198,023	371,434
Exchange realignment	-	-	-	15,297	-	-	15,297
Profit for the period	-	-	-	-	-	3,015	3,015
At 30th June, 2008	11,056	101,670	(2,128)	60,727	17,383	201,038	389,746

NOTES TO THE CONDENSED FINANCIAL STATEMENTS**1. General**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Company Law of Cayman Islands. The Company's shares are listed on GEM of the Stock Exchange on 26th July, 2002.

The Company acts as an investment holding company and the principal activities of the Group are trading and manufacturing of light source products.

2. Basis of preparation

This unaudited condensed consolidated results ("Results") has been prepared under historical cost convention and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accounts ("HKICPA") and applicable GEM Listing Rules.

This Results has been prepared in consistent with the accounting policies and basis of preparation adopted for the preparation of the Group's annual financial statements for the year ended 31st March, 2008.

This Results has been reviewed by the audit committee but not by the external auditors of the Company.

3. Turnover

Turnover represents amount received and receivable for goods, net of returns, sales discounts, and value-added tax, where applicable, sold to customers during the three months ended 30th June, 2008.

An analysis of the Group's turnover is set out as follows:

	(Unaudited) For the three months ended 30th June, 2008		2007
	HK\$'000		HK\$'000
Turnover			
Sales of light source products	12,015		13,269

4. Taxation

	(Unaudited)	
	For the	
	three months ended	
	30th June,	
	2008	
	HK\$'000	2007
		HK\$'000
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	1,755	853
	1,755	853

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in or derived from Hong Kong for the respective three months ended 30th June, 2008 and 2007.

Pursuant to the relevant laws and regulations in the PRC, Tungda Lighting (Fujian) Company Limited ("Tungda Fujian"), a subsidiary of the Company is entitled to exemption from PRC Enterprise Income Tax for two years commencing from its first profit making year of operation, and thereafter, Tungda Fujian is entitled to 50% relief from PRC Enterprise Income Tax which is charged at 24% for the following three years. The first profit-making year of Tungda Fujian in PRC commenced on 1st January, 2003. The tax holiday and concession periods expired on 31st December, 2007. The applicable income tax rate since 1st January, 2008 was 25%.

No provision for deferred taxation for the periods has been made as the amount involved is insignificant.

5. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2008 (three months ended 30th June, 2007: Nil).

6. Earnings per share

The calculation of the basic and diluted earnings per share for the three months ended 30th June, 2008 and 2007 is based on the following data:

	(Unaudited) For the three months ended 30th June, 2008 HK\$'000	2007 HK\$'000
Profit for the period and earnings for the purpose of calculation of basic earnings per share	3,015	3,556
Weighted average number of shares for the purpose of calculation of basic earnings per share	1,105,600,000	1,105,600,000

No diluted earnings per share was presented as there was no potential dilutive ordinary shares in issue for both periods.

REVIEW AND PROSPECT

Operating results

For the three months ended 30th June, 2008 ("Period"), the Group's turnover was approximately HK\$12.02 million, representing a decrease of approximately 9.41% as compared to approximately HK\$13.27 million of last corresponding period.

The gross profit margin for the Period was 60.89% compared to 63.09% for the same period in 2007 as profit margin both of house brand and agency brand products decreased during the Period.

Other income and gain, net

The major component of other income and gain, net approximately HK\$0.75 million was interest income for the Period as compared to approximately HK\$0.56 million for the same period in 2007.

Selling and administrative expenses

The selling expenses amounted to approximately HK\$0.22 million for the Period as compared to approximately HK\$0.39 million in the corresponding period in the previous year which were primarily comprised of salaries, business promotion expenses and delivery expenses. The amount decreased because of decreasing in business promotion expenses during the Period.

The administrative expenses comprised primarily of directors' and staff remuneration, entertainment, rental expenses and general administrative expenses. The administrative expenses was approximately HK\$3.06 million for the Period as compared to approximately HK\$4.13 million in the corresponding period in 2007.

Profit for the Period

As a result of the factors discussed above, the profit for the three months ended 30th June, 2008 was approximately HK\$3.02 million as compared to the profit approximately HK\$3.56 million for the same period in 2007.

Prospect

The Board remains positive about the business and believes that the Group's sales will grow continuously in the future as more customers are now concerning the importance of environmental protection, and therefore, they are intending to use energy efficient light products with longer life hours instead of traditional light products with shorter life hours and high consumption powers.

PROPERTY, PLANT AND EQUIPMENT

There was no material acquisition of property, plant and equipment by the Group during the Period.

SUSPENSION ON TRADING OF SHARES

Trading in the shares of the Company has been suspended on the Stock Exchange since 29th July, 2004. In order to resume the share trading as soon as possible and smooth the relevant process, the Company has actively communicated with relevant section of the Stock Exchange of Hong Kong Limited since January 2007.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30th June, 2008, the interests of the directors and the chief executive officer of the Company and their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

Long positions

(a) Ordinary shares of HK\$0.01 each of the Company and underlying shares

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chu Chien Tung	Held by controlled corporation (Note)	560,000,000	50.65%

Note: These shares were held indirectly by Tungda Industrial Limited ("Tungda Industrial") through its beneficial interest in the entire issued share capital of Standard Exceed Limited. Messrs. Chu Chien Tung, Chu Chick Kei and Chu Siu Chun (father of Messrs. Chu Chien Tung and Chu Chick Kei) jointly hold the entire issued share capital of Tungda Industrial.

(b) Share options

Name of directors	Capacity	Number of options held	Number of underlying shares
Mr. Chu Chien Tung	Beneficial owner	1,054,944	1,054,944
Mr. Chu Chick Kei	Beneficial owner	1,054,944	1,054,944
Mr. Chu Sen Hei	Beneficial owner	10,549,440	10,549,440

Other than as disclosed above, none of the directors and chief executive officer of the Company and their associates has any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30th June, 2008.

SHARE OPTIONS

Pursuant to the Company's share option scheme adopted on 12th July, 2002, the board of directors may grant share options to any directors, full time and part time employees of the Group and the consultant or adviser of the Group.

A summary of the movements in the Company's share options during the Period is as follows:

Date of grant	Exercise price HK\$	Closing price at the date of grant HK\$	Number of share options				
			At 1st April, 2008	Granted during the period	Exercised during the period	At 30th June, 2008	
Directors							
Mr. Chu Chien Tung	21st November, 2003	0.452	0.440	1,054,944	-	-	1,054,944
Mr. Chu Chick Kei	21st November, 2003	0.452	0.440	1,054,944	-	-	1,054,944
Mr. Chu Sen Hei	21st November, 2003	0.452	0.440	10,549,440	-	-	10,549,440
Sub-total				12,659,328	-	-	12,659,328
Employees							
	3rd October, 2003	0.345	0.345	33,140,672	-	-	33,140,672
Total				45,800,000	-	-	45,800,000

Save as disclosed herein, none of the directors and chief executive officer and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the Period was the Company, its holding company, fellow subsidiaries 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 debenture of, the Company or any other body corporate. None of the directors of the Company, or their spouses or children under 18 years of age, had any rights to subscribe for the shares of the Company, or had exercised any such right during the Period.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2008, the following substantial shareholders (other than a director or chief executive officer of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholders	Number of issued ordinary shares held	Approximate percentage of shareholding
Standard Exceed Limited (Note 1)	560,000,000	50.65%
Tungda Industrial Limited (Note 1)	560,000,000	50.65%
Mr. Chu Chien Tung (Note 2)	560,000,000	50.65%
Ms. Chan Pik Kam (Note 3)	560,000,000	50.65%

Notes:

- Standard Exceed Limited is wholly and beneficially-owned by Tungda Industrial which in turn is beneficially-owned as to 33.33334% by Mr. Chu Chien Tung, 33.33333% by Mr. Chu Chick Kei and 33.33333% by Mr. Chu Siu Chun. Mr. Chu Siu Chun has no management role in the Group.
- Under Section 336 of the SFO, Mr. Chu Chien Tung is deemed to have interests in all the shares of the Company which Tungda Industrial has interests as he is entitled to exercise more than one-third of the voting power at general meetings of Tungda Industrial. The other two shareholders of Tungda Industrial, namely Messrs. Chu Chick Kei and Chu Siu Chun, are not so deemed as they are not entitled to exercise more than one-third of the voting power at general meetings of Tungda Industrial.

3. Ms. Chan Pik Kam is the wife of Mr. Chu Chien Tung. Under Section 336 of the SFO, she is deemed to have interest in all the shares in which Mr. Chu Chien Tung is interested.

Save as disclosed above, no other person (other than a director or chief executive officer of the Company) has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPETING INTERESTS

During the Period, the board of directors is not aware of any business or interest of each director, management shareholder of the Company and their respective associates that compete or may compete with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

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

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an audit committee on 8th July, 2002 with written terms of reference in accordance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules except that the audit committee currently comprises only two members (independent non-executive directors, Mr. Zhu Lei Bo and Mr. Hong Yong Hwan) and is not in compliance with Rule 5.28 of the GEM Listing Rules which requires, among others, the audit committee must comprise a minimum of three members. The Group's unaudited condensed consolidated results for the three months ended 30th June, 2008 have been reviewed by the audit committee but not by the external auditors of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements of director's securities transaction stated in the GEM Listing Rules. All the directors of the Company have confirmed that they have complied with the requirements as set out in the GEM Listing Rules for the Period.

CORPORATE GOVERNANCE

According to Rule 5.05 and Rule 5.28 of the GEM Listing Rules, every board of directors of an issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. However, the Board has only two independent non-executive directors and the audit committee comprises only two members. Therefore, the Company has been unable to strictly comply with the relevant requirements of the GEM Listing Rules. The Company will arrange to appoint suitable candidate(s) for taking up the vacancies.

The Company has, during the three months ended 30th June, 2008, complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules with deviation as mentioned below.

- (1) Code Provision A.2.1 requires the separation of the roles of Chairman and Chief Executive Officer.

The Company does not have an officer with the title of "Chief Executive Officer". Mr. CHU Chien Tung is responsible for the management of the Board and strategic development of the Company. Mr. CHU Chick Kei and Mr. CHU Sen Hei respectively are responsible for the day to day management of the Group. Mr. CHU Chien Tung is also responsible for the overall management of and decision of the Group. This constitutes a deviation of the Code Provision of A.2.1. As Mr. CHU Chien Tung has extensive experience in the industry, the Board considers that the arrangement is beneficial to the Group as a whole. Despite the aforesaid, the Board will review such arrangement from time to time and consider the appointment of a Chief Executive Officer in the best interest of the Company and its shareholders.

- (2) Code Provision A.4.1 requires that non-executive directors should be appointed for specific term, subject to re-election.

The Company has deviated from this provision in that all non-executive directors and independent non-executive directors are not appointed for specific term. They are, however subject to retirement by rotation at each annual general meeting of the Company and being eligible for re-election according to the Company's Articles of Association.

- (3) Code Provision B.1.1 requires the establishment of a remuneration committee with specific written terms of reference.

The Company has not established a remuneration committee, the board of directors is authorised by the shareholders at annual general meeting to fix the remuneration of the directors whereas a director shall abstain from voting in respect of any remuneration and fees paid to his interest.

- (4) Code Provision C.2.1 requires at least annually conduct a review of the effectiveness of the system of internal control.

The Company has not conducted an annual review of the effectiveness of the system of internal control as the Board considered that resumption trade of shares is need to dealt with priority during the Period. At the same time, an effective internal control is one of important factors for resumption trade of shares; therefore, the Company will conduct a review of the effectiveness of the system of internal control in order to comply with the Code Provision.

By Order of the Board
Chu Chien Tung
Chairman

Hong Kong, 7th August, 2008

Executive directors:

Mr. Chu Chien Tung
Mr. Chu Chick Kei
Mr. Chu Sen Hei

Non-executive director:

Dr. Fung Shiu Lun, Anthony

Independent non-executive directors:

Mr. Zhu Lei Bo
Mr. Hong Yong Hwan