



# 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)

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31ST DECEMBER, 2010

### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, 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 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.*

\* For identification purpose only

## THIRD QUARTERLY RESULTS

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 nine months and three months ended 31st December, 2010 together with the unaudited comparative figures for the corresponding periods in 2009 as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the nine months ended 31st December,		For the three months ended 31st December,	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover	3	10,577	8,933	3,954	4,269
Cost of sales		<u>(8,655)</u>	<u>(10,187)</u>	<u>(3,030)</u>	<u>(3,255)</u>
Gross (loss) profit		1,922	(1,254)	924	1,014
Other income		1,058	1,068	354	354
Selling and distribution costs		(382)	(347)	(139)	(109)
Administrative expenses		<u>(5,491)</u>	<u>(5,016)</u>	<u>(1,370)</u>	<u>(1,252)</u>
Operating (loss) profit		(2,893)	(5,549)	(231)	7
Finance costs		<u>(13)</u>	<u>(19)</u>	<u>(4)</u>	<u>(6)</u>
(Loss) Profit before taxation		(2,906)	(5,568)	(235)	1
Taxation	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss) Profit for the period attributable to the equity holders of the Company		(2,906)	(5,568)	(235)	1
Other comprehensive income:					
Exchange differences on translation of financial statement of foreign operations		<u>14,545</u>	<u>3,657</u>	<u>5,811</u>	<u>592</u>
Total comprehensive income/(loss) for the period attributable to the equity holders of the Company		<u>11,639</u>	<u>(1,911)</u>	<u>5,576</u>	<u>593</u>
(Loss) Earnings per share					
– Basic	6	<u>(0.26) HK cents</u>	<u>(0.50) HK cents</u>	<u>(0.02) HK cents</u>	<u>0.00 HK cents</u>
Dividend	7	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2009	11,056	101,670	(2,128)	59,223	17,383	201,604	388,808
Total comprehensive income/(loss) for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,657</u>	<u>–</u>	<u>(5,568)</u>	<u>(1,911)</u>
At 31st December, 2009	<u>11,056</u>	<u>101,670</u>	<u>(2,128)</u>	<u>62,880</u>	<u>17,383</u>	<u>196,036</u>	<u>386,897</u>
At 1st April, 2010	11,056	101,670	(2,128)	59,444	17,383	194,706	382,131
Total comprehensive income/(loss) for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>14,545</u>	<u>–</u>	<u>(2,906)</u>	<u>11,639</u>
At 31st December, 2010	<u>11,056</u>	<u>101,670</u>	<u>(2,128)</u>	<u>73,989</u>	<u>17,383</u>	<u>191,800</u>	<u>393,700</u>

Notes:

## 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. Basic 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 Accountants ("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, 2010.

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 nine months and three months ended 31st December, 2010.

## 4. Segmental information

An analysis of the Group's turnover is as follow:

### *Business segments*

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>For the</b>		<b>For the</b>	
	<b>nine months ended</b>		<b>three months ended</b>	
	<b>31st December,</b>		<b>31st December,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Segment turnover</b>				
House brand light source products	<b>6,313</b>	4,351	<b>2,408</b>	2,172
Agency brand light source products	<b>4,264</b>	4,582	<b>1,546</b>	2,097
	<b>10,577</b>	8,933	<b>3,954</b>	4,269

## Geographical segments

The Group's operations are located in the People's Republic of China ("PRC") and Hong Kong. The following tables provide an analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods:

	(Unaudited)		(Unaudited)	
	For the nine months ended 31st December, 2010		For the three months ended 31st December, 2010	
	2009	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	4,295	4,582	1,554	2,097
Europe	6,281	4,342	2,400	2,171
Others	1	9	-	1
	<u>10,577</u>	<u>8,933</u>	<u>3,954</u>	<u>4,269</u>

## 5. Taxation

As the Group has sustained a tax loss for the nine and three months periods ended 31st December, 2010 and 2009, no provision for Hong Kong Profits Tax and PRC Enterprise Income Tax is made for the periods.

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

## 6. (Loss) Earnings per share

The calculation of the basic (loss) earnings per share for the nine and three months ended 31st December, 2010 and 2009 is based on the following data:

	(Unaudited)		(Unaudited)	
	For the nine months ended 31st December, 2010		For the three months ended 31st December, 2010	
	2009	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) Profit for the period for the purpose of calculation of basic (loss) earnings per share	<u>(2,906)</u>	<u>(5,568)</u>	<u>(235)</u>	<u>1</u>
Weighted average number of shares for the purpose of calculation of basic (loss) earnings per share	<u>1,105,600,000</u>	<u>1,105,600,000</u>	<u>1,105,600,000</u>	<u>1,105,600,000</u>

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

**7. Dividend**

The Board does not recommend the payment of any interim dividend for the nine months ended 31st December, 2010 (nine months ended 31st December, 2009: Nil).

**8. Comparatives figures**

Certain comparative figures have been reclassified to confirm with current period's presentation.

## **DIVIDEND**

The Board does not recommend the payment of any interim dividend for the nine months ended 31st December, 2010.

## **FINANCIAL REVIEW**

For the nine months ended 31st December, 2010 (“Period”), the Group’s turnover was approximately HK\$10.58 million, representing an increase of approximately 18.48% as compared to approximately HK\$8.93 million of last corresponding period.

The gross profit for the Period was about HK\$1.92 million compared to gross loss about HK\$1.25 million for the same period in 2009. The change was attributable to the increase in sales of house brand products. The gross loss in prior corresponding period was attributable to the material decrease in sales of house brand products which resulted in corresponding decrease in production whilst the under-utilised fixed direct production overhead did not decrease and was included and reflected in cost of sales.

The major component of other income approximately HK\$1.06 million was interest income for the Period as compared to approximately HK\$1.07 million for the same period in 2009.

The selling and distribution costs for the Period primarily comprised of salaries.

The administrative expenses comprised primarily of staff remuneration, entertainment, rental expenses, research and development expenses and general administrative expenses. The administrative expenses increased to approximately HK\$5.49 million for the Period as compared to approximately HK\$5.02 million for the corresponding period in 2009.

As a result of the factors discussed above, the loss attributable to the equity holders for the nine months ended 31st December, 2010 was approximately HK\$2.91 million as compared to the loss approximately HK\$5.57 million for the same period in 2009.

## **PROSPECT**

The Group’s products have longer life hours and high energy efficiency. In addition, more customers are now concerning the importance of environmental protection, and therefore they are intending to use the Group’s products instead of traditional light source products. The Group will continue to pursue and focus on its core business of being a provider of good quality light source products.

## **CHARGE ON GROUP ASSETS**

The leasehold buildings and one of the leasehold land and land use rights in the PRC of the Group have been pledged to a bank to secure banking facilities granted to the Group as mentioned in notes 13 and 14 to the Group's annual financial statements for the year ended 31st March, 2010.

## **PROPERTY, PLANT AND EQUIPMENT**

During the nine months ended 31st December 2010, there was no material acquisition or disposal of property, plant and equipment by the Group.

## **SUSPENSION OF TRADING IN 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, the Company has actively communicated with relevant section of the Stock Exchange of Hong Kong Limited since January, 2007.

With reference to the Company's announcement on 3rd April 2009, the Company received a letter in around November 2008 from the Stock Exchange in which the Stock Exchange set out conditions prior to uplifting of the Company's suspension of trading in shares pursuant to Rule 9.10 of the GEM Listing Rules.

The Company will make further announcements as appropriate for any further material developments.

## **INVESTIGATION BY THE COMMERCIAL CRIME BUREAU**

With reference to the Company's announcement on 13 August 2010, officers of Commercial Crime Bureau of the Hong Kong Police Force ("CCB") executed a search warrant at the premises of the Group. The search warrant concerned an investigation by the CCB of a suspected offence (conspiracy to defraud, contrary to Common Law). Mr. Chu Chien Tung, the Chairman, Mr. Chu Chick Kei, an executive director, and Ms. Chu Pik Ang, an accounting clerk of the Company have informed the Company that they: (a) were arrested as part of the CCB's investigation; (b) have been charged by the police; and (c) have been released on police bail. Based on the information in the search warrant, the Board understands that the CCB's investigation may also involve certain individuals who previously worked for the Company.

The Company will keep the public informed through further announcements as appropriate.



## **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 competes 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 nine months ended 31st December, 2010 has 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. The Company has not appointed a company secretary according to the requirements of and is not in compliance with Rule 11.07(2) of the GEM Listing Rules. 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 nine months ended 31st December, 2010, 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 director 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 authorized 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 of trading in shares is needed to be dealt with priority. At the same time, an effective internal control is one of the important factors for resumption of trading in 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, 14th February, 2011

*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