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 2012

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 2012.

The unaudited condensed consolidated financial information for the six months ended 30 June 2012 have been reviewed by the Group's auditors, Deloitte Touche Tohmatsu, 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 COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	2011
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**435,477**	634,162
Cost of sales		**(389,285)**	(515,158)
Gross profit		**46,192**	119,004
Other income		**22,295**	18,339
Other gains and losses		**(12,988)**	(2,146)
Selling and distribution expenses		**(23,312)**	(21,871)
Administrative expenses		**(42,572)**	(39,444)
Finance costs		**(8,025)**	(4,325)
(Loss) profit before tax		**(18,410)**	69,557
Income tax expense	*4*	**(7,124)**	(18,184)
(Loss) profit for the period	*5*	**(25,534)**	51,373
Other comprehensive income for the period:			
Exchange differences arising on translation		**952**	6,288
Total comprehensive (expense) income for the period		**(24,582)**	57,661
(Loss) profit for the period attributable to:			
Owners of the Company		**(25,952)**	41,116
Non-controlling interests		**418**	10,257
		(25,534)	51,373
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(25,372)**	45,498
Non-controlling interests		**790**	12,163
		(24,582)	57,661
(Loss) earnings per share	*7*		
– Basic (HK cents)		**(5.87)**	9.66
– Diluted (HK cents)		**(5.87)**	9.41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	NOTES	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**415,391**	443,150
Prepaid lease payments – non-current portion		**20,996**	21,305
Intangible assets		**49,557**	53,462
Interest in an associate		**2**	2
Trade receivables with extended credit terms	*9(a)*	**157,565**	190,106
Deposits paid for acquisition of property, plant and equipment		**3,053**	2,743
		646,564	710,768
Current assets			
Inventories		**138,670**	126,917
Prepaid lease payments – current portion		**615**	615
Trade and other receivables	*9(a)*	**617,308**	629,528
Bills receivable	*9(b)*	**3,914**	5,681
Derivative financial instruments		**–**	495
Pledged bank deposits		**88,681**	194,766
Bank balances, deposits and cash		**172,489**	194,260
		1,021,677	1,152,262
Current liabilities			
Trade and other payables	*10(a)*	**242,794**	314,338
Bills payable	*10(b)*	**90,981**	90,614
Derivative financial instruments		**1,809**	1,409
Taxation payable		**78,271**	71,777
Bank borrowings – due within one year		**276,215**	377,402
Obligations under finance leases – due within one year		**8,601**	9,815
		698,671	865,355
Net current assets		**323,006**	286,907
Total assets less current liabilities		**969,570**	997,675
Non-current liabilities			
Obligations under finance leases – due after one year		**8,055**	12,038
Deferred tax liabilities		**16,521**	16,521
		24,576	28,559
Net assets		**944,994**	969,116

	NOTES	**30 June 2012** **HK$'000** **(unaudited)**	31 December 2011 HK$'000 (audited)
Capital and reserves			
Share capital		**44,248**	44,188
Reserves		**831,039**	856,011
Equity attributable to owners of the Company		**875,287**	900,199
Non-controlling interests		**69,707**	68,917
Total equity		**944,994**	969,116

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as 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").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for buildings and certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has also applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKFRS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Segment revenue – external sales		
Manufacturing and trading of single-sided printed circuit boards ("PCB") ("Single-sided PCB")	**98,829**	109,615
Manufacturing and trading of double-sided PCB ("Double-sided PCB")	**157,144**	192,491
Manufacturing and trading of multi-layered PCB ("Multi-layered PCB")	**99,247**	153,725
Manufacturing and trading of light emitting diode ("LED") lighting ("LED lighting")	**80,257**	178,331
Total	**435,477**	634,162

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Segment (loss) profits		
Single-sided PCB	**(2,916)**	2,570
Double-sided PCB	**(3,784)**	6,848
Multi-layered PCB	**(7,101)**	9,571
LED lighting	**4,729**	59,617
	(9,072)	78,606
Other income	**5,700**	1,238
Central administrative costs	**(6,730)**	(5,669)
Fair value changes of derivative financial instruments	**(283)**	(293)
Finance costs	**(8,025)**	(4,325)
(Loss) profit before tax	**(18,410)**	69,557

Segment profit or loss represents the profit or loss earned or suffered 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), fair value changes of derivative financial instruments and finance costs. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	2
PRC Enterprise Income Tax ("EIT")	**7,124**	17,869
	7,124	17,871
Underprovision in prior years in respect of Hong Kong Profits Tax	**–**	313
	7,124	18,184

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2012 as the Group had no assessable profit.

The PRC EIT is calculated at 12.5% to 25% relevant to the PRC subsidiaries where applicable.

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the accumulated undistributed profits of the PRC subsidiaries amounting to approximately HK$165,066,000 (31 December 2011: HK$188,935,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

5. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Directors emoluments	**7,849**	4,591
Other staff costs	**64,477**	70,556
Equity-settled share-based payment expenses other than directors (included in selling and distribution expenses and administrative expenses)	**4,600**	4,086
Total staff costs	**76,926**	79,233
Amortisation of intangible assets (included in cost of sales)	**3,905**	3,624
Release of prepaid lease payments	**308**	308
Depreciation of property, plant and equipment	**29,386**	27,310
Impairment loss recognised in respect of trade receivables	**8,812**	–
Fair value changes of derivative financial instruments (included in other gains and losses)	**283**	293
Imputed interest income on non-current trade receivables (included in other income)	**(6,164)**	(2,279)
Interest income on bank deposits and bank balances (included in other income)	**(4,024)**	(1,082)
Sales of scrap materials (included in other income)	**(10,233)**	(17,101)
Government grant	**(327)**	–

6. DIVIDENDS

During the period, a dividend of HK2 cents per share amounting to approximately HK$8,850,000 (six months ended 30 June 2011: 2010 final dividend of HK2.5 cent per share amounting to approximately HK$10,944,000) was paid to the shareholders as the final dividend for 2011.

The Board did not recommend the payment of an interim dividend for the period (six months ended 30 June 2011: nil).

7. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) earnings for purposes of basic and diluted (loss) earnings per share ((Loss) profit for the period attributable to owners of the Company)	**(25,952)**	41,116
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**442,427**	425,789
Effect of dilutive potential ordinary shares:		
Share options	**–**	6,719
Warrants	**–**	4,625
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**442,427**	437,133

The calculation of the diluted loss per share for the period 30 June 2012 did not assume the exercise of the Company's outstanding share options as the exercise of the Company's share options would result in a decrease in loss per share.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

At 30 June 2012, the directors considered that the carrying amount of the Group's buildings does not differ significantly from that which would be determined using fair values at the end of the reporting period. Consequently, no revaluation surplus or deficit has been recognised in the current period.

During the six months ended 30 June 2012, the Group paid HK$1,756,000 (six months ended 30 June 2011: HK$1,589,000) on acquisition of property, plant and equipment.

9. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

	30 June 2012 *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)
Trade receivables with normal credit terms	**260,368**	259,536
Trade receivables with extended credit terms	**452,903**	472,162
Total trade receivables	**713,271**	731,698
Less: Allowance for doubtful debts	**(24,324)**	(15,342)
Total trade receivables, net of allowance for doubtful debts	**688,947**	716,356
Less: Non-current portion of trade receivables with extended credit terms	**(157,565)**	(190,106)
Current portion of trade receivables	**531,382**	526,250
Advances to suppliers	**41,716**	51,874
Value-added tax recoverable	**16,231**	15,490
Other receivables and prepayments	**27,979**	35,914
Amounts shown under current assets	**617,308**	629,528

The Group generally allows an average credit period of 30 days to 150 days to its trade customers with normal credit terms and credit period ranging from one year to ten years to its trade customers with extended credit terms which is based on the contractual repayment schedule. The following is an aged 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:

	Extended credit terms		**Normal credit terms**		**Total**	
	30 June 2012 *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)	**30 June 2012** *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)	**30 June 2012** *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)
0 – 30 days	**15,675**	115,786	**62,510**	64,424	**78,185**	180,210
31 – 60 days	**29,331**	51,145	**48,582**	57,262	**77,913**	108,407
61 – 90 days	**77,270**	69,731	**49,655**	57,022	**126,925**	126,753
91 – 180 days	**27,736**	25,285	**70,828**	58,203	**98,564**	83,488
Over 180 days	**294,079**	210,215	**13,281**	7,283	**307,360**	217,498
	444,091	472,162	**244,856**	244,194	**688,947**	716,356

9. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(b) Bills receivable

The aged analysis of bills receivable presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**–**	4,035
91 – 180 days	**3,914**	1,646
	3,914	5,681

10. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and other payables

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**30,121**	74,906
31 – 60 days	**30,427**	29,581
61 – 90 days	**26,411**	26,690
91 – 180 days	**57,048**	84,996
Over 180 days	**12,096**	18,526
	156,103	234,699
Other payables	**50,572**	37,554
Accrued salaries and other accrued charges	**23,483**	19,368
Value-added tax payable	**12,636**	22,717
	242,794	314,338

10. TRADE, BILLS AND OTHER PAYABLES *(Continued)*

(b) Bills payable

The aged analysis of bills payable presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2012 *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)
0 – 30 days	**17,779**	17,913
31 – 60 days	**13,922**	6,234
61 – 90 days	**13,043**	9,436
91 – 180 days	**46,237**	57,031
	90,981	90,614

BUSINESS REVIEW

The Group is principally engaged in manufacturing and trading broad range of LED Lighting and PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs up to 12 layers, the breakdown by turnover is summarized as follows:

	For the six months ended 30 June 2012		For the six months ended 30 June 2011		Increase/ (Decrease)	Change in
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
LED Lighting	**80,257**	**18.4**	178,331	28.1	(98,074)	(55.0)
Single-sided	**98,829**	**22.7**	109,615	17.3	(10,786)	(9.8)
Double-sided	**157,144**	**36.1**	192,491	30.4	(35,347)	(18.4)
Multi-layered	**99,247**	**22.8**	153,725	24.2	(54,478)	(35.4)
	435,477		634,162		(198,685)	(31.3)

During the period, LED Lighting turnover accounted for approximately 18.4% of the total turnover of the Group mainly because the Group completed new LED lighting contracts in Jiangsu, Guangdong and Henan provinces. The decline in LED Lighting turnover is mainly due to competition in LED lighting industry in The People's Republic of China (the "PRC").

For PCB business, the products in the three categories are mainly applied in consumer electronics, computers and computer peripherals, communications equipment and automotive applications. During the review period, application wise, consumer electronics remained to contribute the highest turnover that accounted for approximately 35.0% of the Group's turnover. By products, the Group has faced the deepest decline (35.4%) from multi-sided PCBs, while impact of weakening global demand for PCBs, arising from Euro crisis, is less severe for single-sided PCBs and double-sided PCBs.

Moreover, the Group's turnovers by geographical regions are summarized as follows:

	For the six months ended 30 June 2012		For the six months ended 30 June 2011		Increase/ (Decrease)	Change in
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	**93,000**	**21.4**	147,349	23.2	(54,349)	(36.9)
PRC	**199,905**	**45.9**	317,107	50.0	(117,202)	(37.0)
Europe	**43,532**	**10.0**	26,538	4.2	16,994	64.0
Asia	**92,617**	**21.2**	137,112	21.6	(44,495)	(32.5)
Others	**6,423**	**1.5**	6,056	1.0	367	6.1
	435,477		634,162		(198,685)	(31.3)

FINANCIAL REVIEW

For the six months ended 30 June 2012, the Group's turnover amounted to approximately HK$435.5 million, representing an decrease of 31.3% as compared to approximately HK$634.2 million for the corresponding period last year.

The Groups' gross profit has decreased by 61.2% to approximately HK$46.2 million. Gross profit margin decreased to approximately 10.6%, mainly due to weakening global demand for PCBs and strong competition in LED lighting in PRC. The gross margins for the LED lighting and PCBs were 29.9% and 6.2%, respectively. Loss for period was approximately HK$25.5 million (30 June 2011: Profit HK$51.4 million). Loss for the period ending 30 June 2012 include non-cash expenses of HK$50.8 million, comprising impairment loss recognised in respect of trade receivable in the LED segment of HK$8.8 million (30 June 2011: Nil), equity-settled share-based payment expense of HK$8.7 million (30 June 2011: HK$4.8 million), amortisation of intangible assets of HK$3.9 million (30 June 2011: HK$3.6 million), and depreciation of property, plant and equipment of HK$29.4 million (30 June 2011: HK$27.3 million). The equity-settled share-based payment expense increases mainly due to grant of 30 million share options at 2 September 2011 and the high volatility of the share price, used in the option valuation model.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2012, the Group had total assets of approximately HK$1,668.2 million (31 December 2011: HK$1,863.0 million) and interest-bearing borrowings of approximately HK$292.9 million (31 December 2011: HK$399.3 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 17.6% (31 December 2011: 21.4%).

The Group's net current asset of approximately HK$323.0 million (31 December 2011: HK $286.9 million) consisted of current assets of approximately HK$1,021.7 million (31 December 2011: HK$1,152.3 million) and current liabilities of approximately HK$698.7 million (31 December 2011: HK$865.4 million), representing a current ratio of approximately 1.46 (31 December 2011: 1.33).

As at 30 June 2012, the Group had cash and bank balances of approximately HK$261.2 million (31 December 2011: HK$389.0 million).

DIVIDENDS

The Board does not recommend the payment of the interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

HUMAN RESOURCES

As at 30 June 2012, the Group employed a total of approximately 2,632 employees (31 December 2011: 2,370), including approximately 2,478 employees in its Zhongshan production Site, 139 employees in its PRC LED business units and approximately 15 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 also 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 also holds regular training programmes and also encourages staff to attend training courses and seminars that are related directly and indirectly to the Group's business.

PROSPECTS

The LED lighting industry in PRC is expected to boom given the supportive policies such as "12th Five-Year Plan" for the period 2011-2015. In major provinces such as Guangdong, it is announced that the production value of the LED industry will be boosted to reach RMB 500 billion by 2015, installation of LED lights in all public areas has to be completed by 2014. The Guangdong government also announced a maximum of RMB 50 million subsidies which our Group has already filed application for. The LED industry in Guangdong and other Provinces will undergo substantial development in the next few years.

With our strong brand recognition and product quality, we are commissioned to capture the market opportunities arose in the LED industry and strive to expand our business network. Our expansion plan aims to further extend our penetration in Guangdong and Jiangsu Provinces. Building a stronger business network is one of our strategic goals.

Our LED business model will gradually adjust from one-stop solution service provider (including installation of new LED lamp and electricity system connection, etc.) to replacement of LED lighting for existing lamps, which is able to better utilize the capital raised from the market and better control on cost.

In respect of our PCB business, the strategic goal to sell 51% equity of our PCB business represents our goal to expand our LED business in the future, while at the same time we will continue to operate our PCB business with our Korea-based PCB partner to maximize our returns on this field.

We will strive to capture the market opportunities given the government policies to support LED industrial leaders. Leveraging on our product quality, brand recognition from government and clients, and well-developed sales network, we will continue to expand our market share in LED road lamp field in PRC and develop more outstanding LED products to fulfil the future market needs.

OTHER INFORMATION

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

During the six months ended 30 June 2012 the Company did not purchase any shares of the Company's listed securities.

Neither the Company, nor any of its subsidiaries sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

Compliance with the Code of Corporate Governance Practices

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries as it believes that effective corporate governance practices are fundamental to safeguarding the interests of shareholders and other stakeholders and enhancing shareholder value.

The Stock Exchange of Hong Kong Limited made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and renamed it the Corporate Governance Code (the "CG Code"). The CG Code took effect on 1 April 2012.

The Company has been fully compliant with all code provisions of the Old Code during the period from 1 January 2012 to 31 March 2012. It has also fully complied with the CG Code during the period from 1 April 2012 to 30 June 2012, as disclosed below:

(i) The CG Code Provision A.6.7 provides that the non-executive Directors and independent non-executive Directors should attend general meetings of the Company, all of the non-executive Directors and independent non-executive Directors attended the 2012 annual general meeting of the Company held on 31 May 2012.

(ii) The CG Code Provision E.1.2 provides that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board attended the 2012 annual general meeting of the Company held on 31 May 2012.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has also adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors. Specific enquiry was made with all the Directors and they confirmed that they had complied with the required standards set out in the Model Code regarding securities transactions by Directors for the six months ended 30 June 2012.

Audit Committee

The Company has set up an audit committee, in accordance with the requirements of the Code of Corporate Governance Practices, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The Committee comprises four independent non-executive directors with Mr. Cheung Sui Wing, Darius as chairman. The interim results for the six months ended 30 June 2012 had been reviewed by the Audit Committee.

By Order of the Board of
TC Orient Lighting Holdings Limited
YEUNG HOI SHAN
Chairman

Hong Kong, 24 August 2012

As at the date hereof, the executive Directors are Mr. Yeung Hoi Shan, Mr. Kwok Tung Fai and Mr. Zhu Jianqin, the non-executive Directors are Madam Li Jinxia and Mr. Yeung Tai Hoi, and the independent non-executive Directors are Mr. Cheung Sui Wing, Darius, Mr. Wong Siu Fai, Albert, Mr. Sung Lee Ming Alfred and Mr. Fong Ping.