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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 2014

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 2014.

The unaudited condensed consolidated financial information for the six months ended 30 June 2014 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		For the six months ended 30 June	
	NOTES	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Turnover	3	367,384	348,460
Cost of sales		(330,103)	(304,122)
Gross profit		37,281	44,338
Other income		20,333	24,271
Other gains and losses		(27,977)	(12,270)
Selling and distribution expenses		(20,090)	(19,638)
Administrative expenses		(35,153)	(29,363)
Finance costs		(3,508)	(5,204)
(Loss) profit before tax		(29,114)	2,134
Income tax expense	4	(411)	(382)
(Loss) profit for the period	5	<u>(29,525)</u>	<u>1,752</u>
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss			
Gain on revaluation of owner-occupied properties		11,557	9,984
Deferred tax liabilities arising from revaluation of properties		(2,889)	(2,496)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		416	4,956
Total comprehensive (expense) income for the period		<u>(20,441)</u>	<u>14,196</u>
(Loss) profit for the period attributable to:			
Owners of the Company		(29,922)	1,710
Non-controlling interests		397	42
		<u>(29,525)</u>	<u>1,752</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(20,504)	13,516
Non-controlling interests		63	680
		<u>(20,441)</u>	<u>14,196</u>
(Loss) earnings per share	7		
– Basic (HK cents)		<u>(6.77)</u>	<u>0.39</u>
– Diluted (HK cents)		<u>(6.77)</u>	<u>0.39</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
	NOTES		
Non-current assets			
Property, plant and equipment	8	311,675	309,946
Prepaid lease payments			
– non-current portion		19,766	20,074
Interest in associates		2	2
Trade receivables with extended credit terms	9(a)	89,898	87,694
Pledged bank deposits		15,701	–
Deposits paid for acquisition of property, plant and equipment		893	2,748
		<u>437,935</u>	<u>420,464</u>
Current assets			
Inventories		64,221	64,588
Prepaid lease payments – current portion		615	615
Trade and other receivables	9(a)	426,357	442,922
Bills receivable	9(b)	359	1,750
Pledged bank deposits		105,420	34,707
Bank balances, deposits and cash		158,535	108,773
		<u>755,507</u>	<u>653,355</u>
Assets classified as held for sale	10	16,044	16,044
		<u>771,551</u>	<u>669,399</u>
Current liabilities			
Trade and other payables	11(a)	339,216	297,756
Bills payable	11(b)	117,769	139,360
Taxation payable		80,224	79,370
Bank borrowings – due within one year		241,522	138,442
Obligations under finance leases			
– due within one year		865	2,934
		<u>779,596</u>	<u>657,862</u>
Net current (liabilities) assets		<u>(8,045)</u>	<u>11,537</u>
Total assets less current liabilities		<u>429,890</u>	<u>432,001</u>

	30 June 2014 <i>HK\$'000</i> (unaudited)	31 December 2013 <i>HK\$'000</i> (audited)
Non-current liabilities		
Obligations under finance leases		
– due after one year	722	920
Deferred tax liabilities	28,492	25,603
Bank borrowings – due after one year	15,600	–
	44,814	26,523
Net assets	385,076	405,478
Capital and reserves		
Share capital	44,228	44,228
Share premium and reserves	327,908	348,373
Equity attributable to owners of the Company	372,136	392,601
Non-controlling interests	12,940	12,877
Total equity	385,076	405,478

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 (the “HKICPA”) 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”).

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of HK\$29,525,000 for the six month ended 30 June 2014 and the Group’s current liabilities exceeded its current assets by HK\$8,045,000 as at 30 June 2014.

As at 30 June 2014, the Group has bank borrowings of approximately HK\$241,522,000 and other liabilities of approximately HK\$538,074,000 payable within one year from the end of the reporting period. While the Group has bank and cash balances of HK\$158,535,000 and short-term pledged bank deposits HK\$105,420,000 as at 30 June 2014, the Group’s ability to repay its debts when they fall due relies heavily on the accounts receivables being settled within the management’s expectation.

In view of the above, the directors have carefully assessed the Group’s liquidity position having taken into account (i) the estimated operating cash inflows of the Group for the next twelve months from the end of the reporting period; (ii) the majority of bank borrowings as at 30 June 2014 were secured by the Group’s assets and are therefore highly probable that they can be renewed in the next twelve months; and (iii) the Group’s unutilised banking facilities of HK\$113,617,000 as at 30 June 2014 which will not mature in the next twelve months.

On the basis of the above consideration, the directors believe that the Group can satisfy its financial obligations in the foreseeable future and accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for buildings which are measured at revalued amounts.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new interpretation and 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 revenue and results by reportable and operating segments:

	Six months ended 30 June	
	2014	2013
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
<u>Segment revenue – external sales</u>		
Manufacturing and trading of single-sided printed circuit boards (“PCB”) (“Single-sided PCB”)	95,440	96,979
Manufacturing and trading of double-sided PCB (“Double-sided PCB”)	144,255	109,961
Manufacturing and trading of multi-layered PCB (“Multi-layered PCB”)	102,347	102,242
Manufacturing and trading of light emitting diode (“LED”) lighting (“LED lighting”)	25,342	39,278
Total	<u>367,384</u>	<u>348,460</u>

3. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<u>Segment (loss) profits</u>		
Single-sided PCB	(6,544)	61
Double-sided PCB	(7,154)	790
Multi-layered PCB	(10,691)	1,587
LED lighting	(3,007)	3,628
	<u>(27,396)</u>	<u>6,066</u>
Other income	4,407	5,770
Central administrative costs	(2,617)	(4,575)
Fair value changes of derivative financial instruments	–	77
Finance costs	(3,508)	(5,204)
	<u>(29,114)</u>	<u>2,134</u>

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 Chairman, who is the chief operating decision maker, for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	<u>411</u>	<u>382</u>

No provision for Hong Kong Profits Tax has been made for both periods as the Group had no assessable profit.

The PRC EIT is calculated at 15% to 25% relevant to the PRC subsidiaries where applicable.

5. (LOSS) PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors emoluments	4,443	3,690
Other staff costs	64,231	71,083
Equity-settled share-based payment expenses other than directors (included in selling and distribution expenses and administrative expenses)	—	556
Total staff costs	68,674	75,329
Amortisation of intangible assets (included in cost of sales)	—	2,974
Release of prepaid lease payments	308	471
Depreciation of property, plant and equipment	14,612	18,969
Impairment loss/written off recognised in respect of trade receivables (<i>Note 9(a)</i>)	6,446	2,037
Impairment loss recognised on property, plant and equipment (included in other gains and losses)	6,209	—
Reversal of impairment loss previously recognised on trade receivables	(259)	—
Bad debts recovered of trade receivables with extended credit terms	(271)	—
Fair value changes of derivative financial instruments (included in other gains and losses)	—	(77)
Imputed interest income on non-current trade receivables (included in other income)	(4,156)	(4,072)
Interest income on bank deposits and bank balances (included in other income)	(767)	(1,105)
Sales of scrap materials (included in other income)	(8,942)	(13,549)
Government grants (<i>note</i>)	(2,828)	(880)
Provision for compensation (included in other gains and losses) (<i>Note 12</i>)	14,701	—

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 2013: nil).

The directors of the Company have determined that no dividend will be paid in respect of the interim period.

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	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted		
(loss) earnings per share		
(Loss) profit for the period attributable to owners		
of the Company	<u><u>(29,922)</u></u>	<u><u>1,710</u></u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for		
the purposes of basic and diluted		
(loss) earnings per share	<u><u>442,284</u></u>	<u><u>442,284</u></u>

The calculation of the diluted loss per share for the period ended 30 June 2014 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.

The calculation of diluted earnings per share for the period ended 30 June 2013 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price of shares during the period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group's buildings classified as property, plant and equipment were revalued by DTZ Debenham Tie Leung Limited, an independent qualified professional valuer not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers. The buildings were revalued at depreciated replacement cost approach. The resulting revaluation surplus of HK\$11,557,000 has been credited to the property revaluation reserve during the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$9,984,000).

During the six months ended 30 June 2014, the Group paid HK\$9,138,000 (six months ended 30 June 2013: HK\$9,034,000) on acquisition of property, plant and equipment.

An impairment loss of HK\$6,209,000 (six months ended 30 June 2013: nil) was recognised during the current interim period in respect of obsolete production machinery.

9. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Trade receivables with normal credit terms	226,822	243,993
Trade receivables with extended credit terms	237,520	257,841
Total trade receivables	464,342	501,834
Less: Allowance for doubtful debts	(170)	(12,338)
Total trade receivables, net of allowance for doubtful debts	464,172	489,496
Less: Non-current portion of trade receivables with extended credit terms	(89,898)	(87,694)
Current portion of trade receivables	374,274	401,802
Advances to suppliers	11,520	14,617
Value-added tax recoverable	21,690	12,069
Other receivables and prepayments	18,873	14,434
Amounts shown under current assets	426,357	442,922

The Group generally allows an average credit period of 30 days to 180 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, which approximated the respective revenue recognition dates:

	Extended credit terms		Normal credit terms		Total	
	30 June 2014 HK\$'000	31 December 2013 HK\$'000	30 June 2014 HK\$'000	31 December 2013 HK\$'000	30 June 2014 HK\$'000	31 December 2013 HK\$'000
0 - 30 days	1,656	–	54,358	58,430	56,014	58,430
31 - 60 days	931	–	56,169	56,803	57,100	56,803
61 - 90 days	–	–	55,721	31,915	55,721	31,915
91 - 180 days	21,299	7,800	55,008	75,965	76,307	83,765
Over 180 days	213,634	250,041	5,396	8,542	219,030	258,583
	237,520	257,841	226,652	231,655	464,172	489,496

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

(a) Trade and other receivables *(Continued)*

Allowance for doubtful debts are recognised based on the Group's historical experience, aging analysis and internal assessment of the recoverability of the debt. No provision has been made by the Group during the period (six months ended 30 June 2013: provision of HK\$1,537,000) and there was a written off of trade receivables as uncollectible of approximately HK\$6,446,000 (six months ended 30 June 2013: HK\$500,000). The Group has reversed of impairment loss previously recognised on trade receivables of HK\$259,000 (six months ended 30 June 2013: nil). Also, the Group has written off an allowance of trade receivable of approximately HK\$11,909,000 as uncollectible in the current period (six months ended 30 June 2013: HK\$11,634,000).

- (b)** The aged analysis of bills receivable is within 30 days based on the issue date at the end of the reporting period.

10. ASSETS CLASSIFIED AS HELD FOR SALE THROUGH DISPOSAL OF A SUBSIDIARY

In March 2013, TC (BVI) Limited (a wholly-owned subsidiary of the Company), entered into an agreement ("Agreement") with a third party in which the third party would inject not less than RMB20,000,000 as construction costs to acquire 70% equity interest of 達進東方 (江蘇) 光電有限公司 ("TC Orient (JS)") (a wholly-owned subsidiary of TC (BVI) Limited). TC Orient (JS) owns a piece of land with carrying value of HK\$16,044,000 which is held under medium lease terms and is situated in the PRC at the end of the reporting period.

The third party had not completed the injection of RMB20,000,000 as construction costs as at 30 June 2014 according to the Agreement.

Subsequent to the end of the current interim period, a supplementary agreement was signed for extending the period to complete the disposal to 30 June 2015.

11. 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 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
0 - 30 days	37,418	42,161
31 - 60 days	38,539	34,781
61 - 90 days	54,949	51,514
91 - 180 days	72,841	60,297
Over 180 days	29,700	26,628
	233,447	215,381
Other payables	49,040	32,953
Accrued salaries and other accrued charges	26,290	19,537
Value-added tax payable	30,439	29,885
	339,216	297,756

(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 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
0 - 30 days	25,013	18,877
31 - 60 days	23,597	24,210
61 - 90 days	18,601	49,627
91 - 180 days	50,558	46,646
	117,769	139,360

12. CONTINGENT LIABILITIES

During the period, Tat Chun Printed Circuit Board Company Limited (“HKTC”) in which the Group has 100% equity interest involved in a legal proceeding in respect of breach of contractual agreement for an amount of approximately HK\$14,701,000.

In June 2014, HKTC received the arbitral decision from the 浙江省嘉興市中級人民法院 which required HKTC to compensate the customer with a total amount of approximately HK\$14,701,000.

In view of the probability of cash outflow, the full amount was provided and recognised as other gains and losses in the condensed consolidated financial statements for the six months ended 30 June 2014.

HKTC took out an application to the High Court of Hong Kong to set aside the decision. The substantive hearing of the HKTC’s application is scheduled on 8 September 2014.

13. EVENTS AFTER THE END OF THE REPORTING PERIOD

As announced on 23 July 2014, 25 July 2014, 1 August 2014 and 12 August 2014, Mr. Yeung Hoi Shan (“Mr. Yeung”) (Chairman and an Executive Director of the Company and the controlling shareholder of the Company) entered into a series of agreements (“Agreements”) with Mr. Chen Jing (“Mr. Chen”), a third party pursuant to which Mr. Yeung agreed to dispose of 128,262,303 shares, representing 29% of the issued share capital of the Company as at 23 July 2014 to Mr. Chen.

Under the Agreements, Mr. Yeung warranted that the total contingent liabilities of the Company as at 1 September 2014 (“Total Contingent Liabilities”) as stipulated in accordance with the terms of the Agreements shall not exceed HK\$70,000,000. In the event that the Total Contingent Liabilities of the Company exceed HK\$70,000,000 but are not more than HK\$100,000,000, Mr. Yeung shall pay an amount equivalent to 29% of the Total Contingent Liabilities in cash to Mr. Chen as compensation. In the event that the Total Contingent Liabilities of the Company exceed HK\$100,000,000, Mr. Yeung needs not pay the aforesaid compensation to Mr. Chen but shall pay an amount equivalent to 100% of the Total Contingent Liabilities in cash to the Company.

BUSINESS REVIEW

During the period under review, the Group continues to be principally engaged in manufacturing and trading broad range of light-emitting diode (“LED”) lighting and printed circuit board (“PCBs”) including single-sided PCBs, double-sided PCBs and multi-layered PCBs up to 12 layers. Respective revenue breakdown is summarised as follows:–

Business	For the six months ended 30 June					
	2014		2013		Change	
	HK\$'000 (unaudited)	Proportion %	HK\$'000 (unaudited)	Proportion %	HK\$'000	%
LED lighting	25,342	6.9	39,278	11.3	(13,936)	(35.5)
Single-sided PCBs	95,440	26.0	96,979	27.8	(1,539)	(1.6)
Double-sided PCBs	144,255	39.3	109,961	31.6	34,294	31.2
Multi-layered PCBs	102,347	27.8	102,242	29.3	105	0.1
	367,384		348,460		18,924	5.4

Revenue from LED lighting business for the six months ended 30 June 2014 decreased by 35.5% as compared to the corresponding period of last year. The decline is mainly due to fewer projects taken up by the Group after balancing the risk and return and considering the effect on the liquidity of the business.

PCB products in the three categories are mainly applied in consumer electronics, computers and computer peripherals, communications equipment and automotive applications. Revenues from single-sided and multi-layered PCBs for the six months ended 30 June 2014 remain at a similar level when compared to the same period of 2013 as the Group strived to keep the sales despite keen competition. At the same time, the Group put more effort to develop the market of double-sided PCBs to meet the increased demand. As a result, revenue from double-sided PCBs increased by 31.2%.

Besides, the Group’s revenue by geographical regions is summarised as follows:

	For the six months ended 30 June					
	2014		2013		Change	
	HK\$'000 (unaudited)	Proportion %	HK\$'000 (unaudited)	Proportion %	HK\$'000	%
Hong Kong	88,565	24.1	98,097	28.2	(9,532)	(9.7)
Mainland China	145,313	39.6	180,511	51.8	(35,198)	(19.5)
Europe	34,380	9.4	16,573	4.8	17,807	107.4
Asia	87,971	23.9	49,414	14.2	38,557	78.0
Others	11,155	3.0	3,865	1.0	7,290	188.6
	367,384		348,460		18,924	5.4

During the period under review, revenue from Asia and others increased significantly, mainly contributed by the new customers from markets such as Korea and Australia. Revenue from Europe also largely increased, as more orders from customers in Turkey. On the other hand, revenue from Mainland China notably decreased, mainly due to the above-mentioned drop in revenue from LED lighting business.

FINANCIAL REVIEW

The Group's overall revenue increased by 5.4% to approximately HK\$367.4 million for the first half of 2014 from approximately HK\$348.5 million for the corresponding period last year. The increase is mainly contributed by the above-mentioned growth in revenue from double-sided PCBs, partially offset by the drop in revenue from LED lighting business.

For the six months ended 30 June 2014, the gross profit margin of LED lighting business decreased to 30.0% from 31.7% of the corresponding period of last year. The drop is mainly due to the keen competition in pricing of the business. The gross profit margin of PCB business decreased to 9.1% from 10.3% of the corresponding period of last year. The decline is mainly attributable to more intense competition in the PCB industry, excess capacity and reduction in average sales price. The Group's overall gross profit margin decreased from 12.7% for the first half of 2013 to 10.1% for that of 2014, mainly due to the aforesaid drop in margin of individual businesses and less revenue contribution from higher margin LED lighting business. Accordingly, the Group's gross profit decreased by 15.9% to approximately HK\$37.3 million for the first half of 2014 from approximately HK\$44.3 million for that of 2013.

The loss for the period includes non-cash items, such as non-recurring impairment loss of property, plant and equipment of HK\$6.2 million (30 June 2013: nil), impairment loss of trade receivables of HK\$6.4 million (30 June 2013: HK\$2.0 million), release of pre-paid lease payments of HK\$0.3 million (30 June 2013: HK\$0.5 million) and depreciation of property, plant and equipment of HK\$14.6 million (30 June 2013: HK\$19.0 million).

The loss also includes a provision for compensation of HK\$14.7 million (30 June 2013: nil). In 2013, an arbitration award was granted in the PRC against Tat Chun Printed Circuit Board Company Limited ("HKTC"), a wholly-owned Hong Kong subsidiary of the Group, in respect of breach of contractual agreement for an amount of about US\$1.9 million. The applicant of the arbitration then commenced the proceedings against HKTC in the High Court of Hong Kong (the "HK Court") in September 2013 to enforce the PRC arbitration award. An enforcement order was granted by the HK Court on 17 September 2013 (the "Order"). The Group applied to the court in the PRC (the "PRC Court") and the HK Court to set aside the PRC arbitration award and the Order respectively. In June 2014, the PRC Court upheld the PRC arbitration award. The substantive hearing of the HK Court is scheduled on 8 September 2014. The management of the Group and its legal counsel are strongly resisting the claim and enforcement of the PRC arbitration award on the ground that (i) the arbitration agreement relied on by the applicant was not valid under the law to which the applicant and HKTC is subjected to; and/or (ii) the goods under the contracts containing the arbitration agreement were not the ones in dispute.

The Group incurred loss of approximately HK\$29.5 million for the period ended 30 June 2014, whereas it recorded profit of approximately HK\$1.8 million for last interim period. The change is mainly due to the above-mentioned decrease in gross profit margin, provision for compensation and the increase in impairment loss of trade receivables and property, plant and equipment.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2014, the Group had total assets of approximately HK\$1,209.5 million (31 December 2013: HK\$1,089.9 million) and interest-bearing borrowings of approximately HK\$258.7 million (31 December 2013: HK\$142.3 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 21.4% (31 December 2013: 13.1%).

The Group had net current liabilities of approximately HK\$8.0 million (31 December 2013: net current assets of HK\$11.5 million), consisted of current assets of approximately HK\$771.6 million (31 December 2013: HK\$669.4 million) and current liabilities of approximately HK\$779.6 million (31 December 2013: HK\$657.9 million), representing current ratio of approximately 0.99 (31 December 2013: 1.02).

As at 30 June 2014, the Group had cash and bank balances, including and excluding pledged bank deposits, of approximately HK\$280.0 million (31 December 2013: HK\$143.5 million) and HK\$158.5 million (31 December 2013: HK\$108.8 million) respectively.

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi (“RMB”). However, foreign currencies, mainly United States Dollars, Euro and Japanese Yen, are required to settle the Group’s expenses and additions on plant and equipment. There are also sales transactions denominated in United States Dollars and RMB. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

DIVIDENDS

The Board does not recommend the payment of the interim dividend for the six months ended 30 June 2014 (30 June 2013: nil).

HUMAN RESOURCES

As at 30 June 2014, the Group employed total of approximately 2,222 employees (31 December 2013: 1,953), including approximately 2,144 employees in its Zhongshan production Site, 67 employees in its PRC LED business units and approximately 11 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 encourages staff to attend training courses and seminars that are related directly and 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.

PROSPECTS

The Ministry of Science and Technology of China initiated the program of ten cities with 10,000 lights separately in early 2009. Since the Group has engaged in the LED business in mid-2010, we secured numerous LED road lamp installation contract with the local governments in various provinces in China. However, the expansion was too aggressive in the first 2 years of operation and we have applied measures to control the credit risk since the second half of 2012. The Group thus recorded drop in revenue from the business over the past 2 years.

While the Group will still have stringent risk assessment over potential LED lighting contracts, we believe that there are long term growth prospects in the business given LED lighting is one of the important energy-saving products being promoted heavily, particularly in mainland China. Various supportive policies have been introduced by the Chinese government in the past few years. According to the “12th Five Year Special Plan for Development of LED Lighting Technology” announced by the Ministry of Science and Technology, the market share of LED lighting has to reach 30% of the general lighting market and its production scale has to reach RMB500 billion in 2015. Based on our risk assessment experience, the Group will focus on street light project in the first tier cities of mainland China. We will attempt to identify strategic partners to explore the market and expand to other mainland cities when the credit risk is put under control.

To fully explore the LED lighting business, the Group will seize the opportunity to enhance our product mix and strengthen our research and development. The Group has extensive experience in lighting design in utilising special lens, high wattage driver, high power LED chips and heat sink (“Special Lighting Design”, or “SLD”). Through our extensive research, small-wattage LED products (1 to 48 watt) and SLD, such as high-watt-flood-light for signage lighting, have become more popular with increasing demand.

On the other hand, the Group will continue to focus on its maturely developed core PCB business, which contributes a steady revenue and cash flow. Moreover, for long term development, the Group will keep looking for opportunities to diversify the Group’s business.

OTHER INFORMATION

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

During the six months ended 30 June 2014, 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 2014.

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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the period from 1 January 2014 to 30 June 2014, except the deviation disclosed in the following paragraph:

- With respect to the Code Provision A.2.1, the roles of Chairman and chief executive officer (“CEO”) should be separated and not be performed by the same individual. Mr. Yeung Hoi Shan is the Chairman of the Board of Directors. The Chief Executive position is vacant. Mr. Wong Wing Choi, an executive director and CEO of the Company has resigned on 23 January 2009. Since then, the Company had tried to look for appropriate person to succeed and up to the date of this report, the process is still in progress. Major decisions have been made in consultation with members of the Board and appropriate Board committees, as well as top management. In addition, there are three Independent Non-Executive Directors and two Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore in the view that there are adequate balance of power and safeguards in place.

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 “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 2014.

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. On 2 April 2014, Mr. Cheung Sui Wing, Darius resigned as its chairman. The Committee then comprises three independent non-executive directors. On 19 August 2014, Mr. Wong Siu Fai, Albert was elected as its chairman. The interim results for the six months ended 30 June 2014 had been reviewed by the Audit Committee.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the websites of The Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.tatchun.com>). The interim report of the Company for the six months ended 30 June 2014 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the aforesaid websites in due course.

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

Hong Kong, 28 August 2014

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. Wong Siu Fai, Albert, Mr. Sung Lee Ming Alfred and Mr. Fong Ping.