# 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)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the "**Board**") of TC Orient Lighting Holdings Limited (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015 (the "**Year**").

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2015*

| | *NOTES* | **2015** *HK$'000* | 2014 *HK$'000* |
|---|---|---|---|
| Turnover | *3* | **533,608** | 705,921 |
| Cost of sales | | **(493,325)** | (653,520) |
| Gross profit | | **40,283** | 52,401 |
| Other income | *4* | **24,520** | 35,247 |
| Other gains and losses | *5* | **(281)** | (36,849) |
| Selling and distribution expenses | | **(31,287)** | (41,400) |
| Administrative expenses | | **(106,029)** | (113,342) |
| Finance costs | *6* | **(11,203)** | (9,120) |
| Loss before tax | | **(83,997)** | (113,063) |
| Income tax expense | *7* | **(434)** | (3,356) |
| Loss for the year | *8* | **(84,431)** | (116,419) |

| | NOTES | **2015** HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Other comprehensive (expense)/income** | | | |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Deficit on revaluation of properties | | **(8,334)** | (37,733) |
| Deferred tax assets arising from revaluation of properties | | **2,084** | 9,433 |
| | | **(6,250)** | (28,300) |
| ***Items that may be subsequently reclassified to profit or loss*** | | | |
| Exchange differences arising on translation | | **(5,503)** | 419 |
| Other comprehensive expense for the year | | **(11,753)** | (27,881) |
| Total comprehensive expense for the year | | **(96,184)** | (144,300) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | **(81,225)** | (111,872) |
| Non-controlling interests | | **(3,206)** | (4,547) |
| | | **(84,431)** | (116,419) |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | **(92,640)** | (139,890) |
| Non-controlling interests | | **(3,544)** | (4,410) |
| | | **(96,184)** | (144,300) |
| Loss per share | | | |
| Basic and diluted | 9 | **(HK$0.15)** | (HK$0.25) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2015*

| | NOTES | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **211,111** | 245,750 |
| Prepaid lease payments — non-current portion | | **18,844** | 19,459 |
| Interests in associates | | **12,500** | – |
| Trade receivables with extended credit terms | *11(a)* | **50,055** | 77,281 |
| Deposits paid for acquisition of property, plant and equipment | | **126** | 600 |
| | | **292,636** | 343,090 |
| Current assets | | | |
| Inventories | | **54,025** | 76,247 |
| Prepaid lease payments — current portion | | **615** | 615 |
| Trade and other receivables | *11(a)* | **485,376** | 426,039 |
| Bills receivable | *11(b)* | **2,752** | 5,833 |
| Pledged bank deposits | | **85,737** | 105,936 |
| Bank balances, deposits and cash | | **43,789** | 167,319 |
| | | **672,294** | 781,989 |
| Assets classified as held for sale | | **15,280** | 16,044 |
| | | **687,574** | 798,033 |
| Current liabilities | | | |
| Trade and other payables | *12(a)* | **344,945** | 313,203 |
| Bills payable | *12(b)* | **135,146** | 117,288 |
| Taxation payable | | **75,712** | 78,927 |
| Bank borrowings — due within one year | | **121,657** | 230,293 |
| Obligations under finance leases — due within one year | | **298** | 394 |
| | | **677,758** | 740,105 |
| Net current assets | | **9,816** | 57,928 |
| Total assets less current liabilities | | **302,452** | 401,018 |
| Non-current liabilities | | | |
| Obligation under finance leases — due after one year | | **225** | 523 |
| Deferred taxation | | **16,732** | 18,816 |
| | | **16,957** | 19,339 |
| Net assets | | **285,495** | 381,679 |
| Capital and reserves | | | |
| Share capital | | **53,074** | 53,074 |
| Reserves | | **227,498** | 320,138 |
| Equity attributable to owners of the Company | | **280,572** | 373,212 |
| Non-controlling interests | | **4,923** | 8,467 |
| Total equity | | **285,495** | 381,679 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*FOR THE YEAR ENDED 31 DECEMBER 2015*

### 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Chen Jing ("**Mr. Chen**") was a substantial shareholder and director of the Company and resigned on 5 June 2015. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company is an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to nearest thousand except otherwise indicated.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

| | |
|---|---|
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010–2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011–2013 Cycle |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") issued by the the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective as at 1 January 2015:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 14 | Regulatory Deferral Accounts[2] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[3] |
| Amendments to HKAS 1 | Disclosure Initiative[3] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[3] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle[3] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[3] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[3] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[3] |

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after 1 January 2016.
[4] Effective for annual periods beginning on or a date to be determined.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs, will have a significant impact on the Group's results of operations and financial position.

**HKFRS 15 Revenue from Contracts with Customers**

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

— Step 1: Identify the contract(s) with a customer

— Step 2: Identify the performance obligations in the contract

— Step 3: Determine the transaction price

— Step 4: Allocate the transaction price to the performance obligations in the contract

— Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The Group in the process of accessing the potential impact of the HKFRS 15 upon initial application but is not yet in a position to state whether HKFRS 15, will have a significant impact on the Group's result of operations and financial position.

## 3. TURNOVER

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| An analysis of the Group's turnover is as follows: | | |
| Sales of printed circuit boards ("**PCB**") | **527,811** | 675,470 |
| Sales of light emitting diode ("**LED**") lighting | **5,797** | 30,451 |
| | **533,608** | 705,921 |

## 4. OTHER INCOME

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **2,121** | 3,130 |
| Imputed interest on trade receivables with extended credit terms | **5,258** | 8,465 |
| Sales of scarp materials | **14,830** | 17,115 |
| Government grants *(note)* | **477** | 3,954 |
| Others | **1,834** | 2,583 |
| | **24,520** | 35,247 |

*Note:* Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries. The government grants had no conditions or contingencies attached to them and they were non-recurring in nature.

## 5. OTHER GAINS AND LOSSES

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net foreign exchange gain/(loss) | **2,603** | (2,304) |
| Impairment loss recognised on trade and other receivables | **–** | (1,809) |
| Amounts recovered/(written off) as uncollectible trade receivables with extended credit terms | **400** | (7,267) |
| Impairment loss in respect of property, plant and equipment | **–** | (7,201) |
| Impairment loss of interests in associates | **–** | (2) |
| Provision for compensation charges | **(2,166)** | (16,363) |
| Reversal of impairment loss previously recognised on trade receivables | **338** | 592 |
| Loss on disposal/written off of property, plant and equipment | **(695)** | (1,042) |
| Others | **(761)** | (1,453) |
| | **(281)** | (36,849) |

## 6. FINANCE COSTS

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| – Bank and other borrowings wholly repayable within five years | **11,160** | 9,018 |
| – Obligations under finance leases | **43** | 102 |
| | **11,203** | 9,120 |

## 7. INCOME TAX EXPENSE

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The charge comprises: | | |
| Current tax: | | |
| PRC Enterprise Income Tax ("**EIT**") | **28** | 710 |
| Hong Kong Profits Tax | **406** | – |
| Deferred tax | **–** | 2,646 |
| | **434** | 3,356 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

No provision for Hong Kong Profits Tax is made since there is no assessable profits for the year ended 31 December 2014.

Under the Law of the People's Republic of China on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

EIT arises from the taxable profit from certain PRC subsidiaries. Pursuant to the relevant laws and regulations in the PRC, 達進東方照明(深圳)有限公司 is granted as High-Technology Enterprise and will be entitled to a favourable tax rate of 15% for the years from 2013 to 2015.

## 8. LOSS FOR THE YEAR

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year has been arrived at after charging: | | |
| Employee expenses, including director's and chief executive officer's remuneration *(note)* | **147,408** | 140,614 |
| Share-based payments | **–** | 32,144 |
| Retirement benefit schemes contributions *(note)* | **11,524** | 10,128 |
| Total employee expenses | **158,932** | 182,886 |
| Auditor's remuneration | **2,000** | 1,600 |
| Cost of inventories recognised as an expense | **493,325** | 653,520 |
| Depreciation of property, plant and equipment | **27,290** | 29,221 |
| Research and development costs recognised as an expense | **2,574** | 2,424 |
| Amortisation of prepaid lease payments | **615** | 615 |

*Note:* Employee expenses and retirement benefit schemes contributions were included the direct and indirect labour cost, they have been recognised in the cost of inventories.

## 9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year is based on the following data:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss** | | |
| Loss for the purposes of basic and diluted loss per share, loss for the year attributable to owners of the Company | **(81,225)** | (111,872) |

| | **2015** | 2014 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **530,740** | 453,917 |

The calculation of the diluted loss per share for both years did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

## 10. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

## 11. TRADE, BILLS AND OTHER RECEIVABLES

### (a) Trade receivables

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables with normal credit terms | **152,337** | 207,455 |
| Less: Allowance for doubtful debts | **(1,451)** | (1,841) |
| | **150,886** | 205,614 |
| Trade receivables with extended credit terms | **176,463** | 216,308 |
| Total trade receivables, net of allowance for doubtful debts | **327,349** | 421,922 |
| Less: Non-current portion of trade receivables with extended credit terms | **(50,055)** | (77,281) |
| Current portion of trade receivables | **277,294** | 344,641 |

The Group generally allows an average credit period of 30 days to 180 days to its trade on PCB customers with normal credit terms and credit period ranging from one year to ten years to its trade on LED lighting customers with extended credit terms which is based on the contractual repayment schedule. The following is an aging analysis of trade receivables with normal credit terms and trade receivables with extended credit terms, net of allowance for doubtful debts, respectively, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

| | **Extended credit terms** | | **Normal credit terms** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| 0–30 days | **362** | – | **40,846** | 58,064 | **41,208** | 58,064 |
| 31–60 days | **–** | – | **33,723** | 54,199 | **33,723** | 54,199 |
| 61–90 days | **–** | 597 | **31,325** | 44,024 | **31,325** | 44,621 |
| 91–180 days | **1,094** | 1,291 | **41,926** | 44,789 | **43,020** | 46,080 |
| Over 180 days | **175,007** | 214,420 | **3,066** | 4,538 | **178,073** | 218,958 |
| | **176,463** | 216,308 | **150,886** | 205,614 | **327,349** | 421,922 |

**(b) Bills receivable**

The aged analysis of bills receivable is based on issue date of the bills at the end of the reporting period:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–30 days | **2,739** | 5,833 |
| Over 30 days | **13** | – |
| | **2,752** | 5,833 |

## 12. TRADE, BILLS AND OTHER PAYABLES

**(a) Trade and other payables**

The followings is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–30 days | **24,949** | 40,294 |
| 31–60 days | **20,600** | 37,276 |
| 61–90 days | **13,663** | 31,834 |
| 91–180 days | **49,236** | 53,112 |
| Over 180 days | **58,737** | 45,801 |
| | **167,185** | 208,317 |
| Other payables | **148,589** | 79,860 |
| Accrued salaries and other accrued charges | **29,171** | 25,026 |
| | **344,945** | 313,203 |

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

**(b) Bills payable**

The aged analysis of bills payable is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–30 days | **51,012** | 31,814 |
| 31–60 days | **5,814** | 14,923 |
| 61–90 days | **8,328** | 15,806 |
| 91–180 days | **69,992** | 54,745 |
| | **135,146** | 117,288 |

## 13. SEGMENTAL INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision maker for making strategic decisions. The Group is engaged in the manufacturing and trading of PCB and LED lighting and the information reported to the chief operating decision maker was analysed based on the three types of PCB and LED lighting which represent the operating segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Manufacturing and trading of Single-sided PCB ("**Single-sided PCB**")
- Manufacturing and trading of Double-sided PCB ("**Double-sided PCB**")
- Manufacturing and trading of Multi-layered PCB ("**Multi-layered PCB**")
- Manufacturing and trading of LED lighting

No information of segment assets and liabilities is available for the assessment of performance of different operating segments. Therefore, only segment turnover and segment results are presented.

**Segment turnover and results**

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

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| TURNOVER – external sales | | |
| Single-sided PCB | **157,811** | 195,619 |
| Double-sided PCB | **212,969** | 278,444 |
| Multi-layered PCB | **157,031** | 201,407 |
| LED lighting | **5,797** | 30,451 |
| Total | **533,608** | 705,921 |
| RESULTS | | |
| Segment losses | | |
| – Single-sided PCB | **(18,688)** | (23,907) |
| – Double-sided PCB | **(25,219)** | (34,031) |
| – Multi-layered PCB | **(18,595)** | (24,616) |
| – LED lighting | **(10,863)** | (24,130) |
| | **(73,365)** | (106,684) |
| Other income | **3,955** | 5,713 |
| Central administrative costs | **(3,384)** | (2,972) |
| Finance costs | **(11,203)** | (9,120) |
| Loss before tax | **(83,997)** | (113,063) |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss incurred by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative costs (mainly including audit fee, exchange loss and depreciation of property, plant and equipment for administrative purpose), fair value changes on derivative financial instruments and finance costs. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

**Other segment information**

Amounts included in the measure of segment results:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Depreciation and amortisation | | |
| – Single-sided PCB | **7,591** | 7,897 |
| – Double-sided PCB | **10,244** | 11,242 |
| – Multi-layered PCB | **7,553** | 8,131 |
| – LED lighting | **1,133** | 1,194 |
| | **26,521** | 28,464 |
| – unallocated | **1,384** | 1,372 |
| | **27,905** | 29,836 |
| Net written off/impairment loss recognised/(reversed) in respect of trade and other receivables | | |
| – Single-sided PCB | **(338)** | 352 |
| – Double-sided PCB | **–** | 502 |
| – Multi-layered PCB | **–** | 363 |
| – LED lighting | **(400)** | 7,267 |
| | **(738)** | 8,484 |
| Impairment loss recognised in respect of property, plant and equipment | | |
| – Single-sided PCB | **–** | 1,348 |
| – Double-sided PCB | **–** | 1,919 |
| – Multi-layered PCB | **–** | 1,388 |
| – LED lighting | **–** | 2,546 |
| | **–** | 7,201 |

### Geographical information

Detailed below is information about the Group's turnover from external customers and information about its non-current assets (excluding trade receivables with extended credit terms and interests in associates), analysed by their geographical location: Group's operations are located in HK and the PRC.

| | **Turnover from external customers For the year ended 31 December** | | **Non-current assets As at 31 December** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Asia: | | | | |
| HK | **128,159** | 170,295 | **1,199** | 1,721 |
| Taiwan | **37,391** | 75,379 | **–** | – |
| The PRC (other than HK and Taiwan) | **240,433** | 292,307 | **228,882** | 264,088 |
| Japan | **250** | 922 | **–** | – |
| Other Asian countries | **36,146** | 52,336 | **–** | – |
| Europe: | | | | |
| Austria | **24,595** | 18,631 | **–** | – |
| Holland | **10,798** | 19,826 | **–** | – |
| Hungary | **5,348** | 1,165 | **–** | – |
| Istanbul | **11,700** | 29,599 | **–** | – |
| Switzerland | **25** | 6,103 | **–** | – |
| Turkey | **–** | 25 | **–** | – |
| Other European countries | **14,632** | 14,302 | **–** | – |
| Others | **24,131** | 25,031 | **–** | – |
| | **533,608** | 705,921 | **230,081** | 265,809 |

### Information about major customers

None of the customer contributing over 10% of the total turnover of the Group of the corresponding years.

## 14. LITIGATION

**(a)** In June 2014, Tat Chun Printed Circuit Board Company Limited ("**HKTC**"), a subsidiary of the Company, received an order from Zhejiang Province Jiaxing Intermediate People's Court ordering HKTC to comply with an arbitral award in the PRC which requires HKTC to make a payment to a customer in the amount of approximately HK$14,701,000 in respect of certain alleged breach of contract.

In view of the possible cash outflow arising from such proceedings, the full amount of the compensation was provided for and recognised as other gains and losses in the consolidated financial statements for the year ended 31 December 2014. HKTC paid the compensation of approximately HK$16,867,000 which included the additional interest to the customer in full during the year.

**(b)** On 9 December 2014, TC Orient (Jiangsu) Optoelectronic Company Limited (達進東方(江蘇)光電有限公司) ("**TC Orient (JS)**"), a subsidiary of the Company, received a writ issued by 連雲港市連深椿基工程有限公司中雲分公司 (the "**Plaintiff**") against TC Orient (JS) and filed with Lianyungang City Lianyun District People's Court together with the related court summons, whereby the Plaintiff alleged that TC Orient (JS) shall make a payment of RMB1,331,000 (approximately HK$1,662,000) under certain alleged settlement agreement.

In view of the possible cash outflow arising from such proceedings, the full amount of the claim was provided for and recognised as other gains and losses in the consolidated financial statements for the year ended 31 December 2014. In July 2015, Lianyungang City Lianyun District People's Court made an order requiring TC Orient (JS) to make full payment under the claim.

**(c) PRC Court Orders**

On 23 April 2015, Zhongshan Tat Chun Printed Circuit Board Company Limited (中山市達進電子有限公司), a wholly owned subsidiary of the Company ("**Zhongshan Tat Chun**") received court orders (the "**PRC Court Orders**") issued on 17 April 2015 by the court of Bao An District, Shenzhen City, Guangdong Province, the PRC (the "**Bao An Court**"). Pursuant to the PRC Court Orders, upon the application made by Huang Shuidi (黃水第) ("**Ms. Huang**"), Bao An Court granted a pre-trial injunction to restraint (i) Mr. Chen Jing; (ii) Shenzhen Optoelectronic Industry Holdings Group Company Limited (深圳光電產業控股集團有限公司) (a company whose president is Mr. Chen since 2012) ("**Shenzhen Optoelectronic**"); (iii) Zhongshan Tat Chun; and (iv) Shenzhen City Jin Lai Shun Group Company Limited (深圳市金來順集團有限公司) (a company whose chief executive officer was Mr. Chen from 2007 to 2013) ("**Jin Lai Shun**") from disposing of their assets in the total amount of RMB12,340,000.

According to the PRC Court Orders, the pre-trial injunction was granted in relation to the dispute over the loan transactions between Ms. Huang, Shenzhen Optoelectronic, Mr. Chen, Zhongshan Tat Chun and Jin Lai Shun.

Further details relating to the PRC Court Orders are more particularly set out in the Company's announcement dated 30 April 2015.

**(d) The Demand Letter and the Purported Guarantees and Indemnity**

On 27 April 2015, Tat Chun PCB International Company Limited (a wholly-owned subsidiary of the Company) ("**Tat Chun PCB**") received a demand letter dated 21 April 2015 (the "**Demand Letter**") from a solicitors firm acting on behalf of the Huang Guihua, Wu Qian Hong and Ms. Huang (the "**Lenders**"), alleging that:

1. Zhongshan Tat Chun had purportedly provided seven guarantees (the "**Guarantees**") for securing the repayment of the loans granted by the Lenders to Mr. Chen and Shenzhen Optoelectronic in the total principal amount of RMB$31,000,000.00 (the "**Guaranteed Principal**") and accrued interests RMB8,048,000;

2. Tat Chun PCB and the Company purportedly executed an indemnity dated 11 April 2015 in favour of the Lenders and Mr. Chen Gui Yang (陳貴陽) (the "**Indemnity**"), pursuant to which Tat Chun PCB and the Company purportedly covenanted to pay to the Lenders and Mr. Chen Gui Yang (陳貴陽) the moneys owed to them by Mr. Chen and Shenzhen Optoelectronic in the total sum of RMB77,720,000.00 which consisted of the aggregate principal amount of RMB60,700,000.00 and interest in the aggregate amount of RMB17,020,000.00, such sums included the Guaranteed Principal.

In the Demand Letter, the law firm acting on behalf of the Lenders demanded Tat Chun PCB to pay to the Lender the sum of RMB39,048,000.00, within 21 days from the date of the Demand Letter. Further details relating to the Demand Letter, the Guarantees and the Indemnity are more particularly set out in the Company's announcement dated 30 April 2015.

**(e) First Petition and Second Petition**

On 13 May 2015, Tat Chun PCB received a petition for commencing the legal proceedings for its winding up in the High Court of Hong Kong issued by the Lenders (the "**First Petition**"). Further details relating to the First Petition are more particularly set out in the Company's announcement dated 15 May 2015.

The Company was also notified that a second petition dated 13 May 2015 was filed with the High Court of Hong Kong against the Company for its winding up (the "**Second Petition**"). The Second Petition is, again, based on the allegations along the lines of the Demand Letter and the First Petition. Further details relating to the Second Petition are more particularly set out in the Company's announcement dated 9 July 2015.

**(f) Dismissal of the PRC Court Order**

Upon the application of Ms. Huang and other plaintiffs, Bao An Court granted orders on 13 August 2015 (the "**Withdrawal Orders**") ordering the withdrawal of the PRC Court Orders and all related pre-trial asset-preserving injunctions and legal proceedings involving Zhongshan Tat Chun, Tat Chun PCB and the Company. According to the Withdrawal Orders, Ms. Huang and other plaintiffs have reached a settlement agreement with the defendants (other than Zhongshan Tat Chun and Tat Chun PCB) and therefore wished to petition to the Bao An Court for withdrawing all proceedings and injunctions against Zhongshan Tat Chun and Tat Chun PCB.

Further details relating to the dismissal of the PRC Court Orders are more particularly set out in the Company's announcement dated 18 August 2015.

**(g) Dismissal of the First Petition and Second Petition**

Upon the application for consent summons by the petitioners and the Company, the High Court of Hong Kong ordered at a hearing on 31 August 2015 that the First Petition and the Second Petition be dismissed.

Further details relating to the dismissal of the First Petition and the Second Petition are more particularly set out in to the Company's announcement dated 31 August 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

During the Year, the Group's LED business focused on credit management and control and inspection, acceptance and transfer of projects under development, in order to optimize the trade receivables of the Group's LED business. As such, the Group's business were mainly concentrated on local governments with which the Group have established business relationship such as those in Zhongshan and Shenzhen in Guangdong Province, and Linzhou and Xinzheng in Henan Province. In addition, due to the change in the controlling shareholder of the Group, business expansion slowed down during the Year, while other business efforts were focused on further speeding project inspection and acceptance and collection of trade receivables. During the Year, the Group's turnover of trade receivables has improved.

During the Year, the Group has substantially kept the risk of collection of trade receivables under control, while most of its projects under construction have been transferred. Based on the reports of the PRC government, energy saving and emission reduction continues to play a very important role. The renovation of LED road lamps has become a normal practice. In view of the Group's established brand, reputation, qualifications and track record, we will optimize product pricing through further technical innovations while establishing our distribution system and e-commerce channels to expand direct product sales.

In order to make full use of the Group's strengths in the LED market for its established brand, reputation, qualifications and track record, the Group will attempt to implement a business partner system in three areas, namely, "consolidating organizational structure, consolidating product platform and consolidating market resources", which is designed to enable the Group to obtain more market resources, to realize diversified development and to expand into LED markets other than road lamps.

## BUSINESS REVIEW

PCBs, double-sided PCBs and multi-layered PCBs (for up to 12 layers). The breakdown of turnover based on products is summarised as follows:

| | **Year 2015** | | Year 2014 | | Increase/ (decreased) | Change in |
|---|---|---|---|---|---|---|
| | ***HK$'000*** | ***%*** | *HK$'000* | *%* | *HK$'000* | *%* |
| LED Lighting | **5,797** | **1.1%** | 30,451 | 4.3% | (24,654) | –81.0% |
| Single-sided PCB | **157,811** | **29.6%** | 195,619 | 27.7% | (37,808) | –19.3% |
| Double-Sided PCB | **212,969** | **39.9%** | 278,444 | 39.4% | (65,475) | –23.5% |
| Multi-layered PCB | **157,031** | **29.4%** | 201,407 | 28.6% | (44,376) | –22.0% |
| | **533,608** | **100.0%** | 705,921 | 100.0% | (172,313) | –24.4% |

The three categories of PCB products are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the Year, single and doubled-sided PCB's used for consumer electronics accounted for approximately 69.5% of the Group's turnover. High-end multi-layered PCBs were also a core product of the Group, accounting for 29.4% of turnover.

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

| | **Year 2015** | | Year 2014 | | Increase/ (decreased) | Change in |
|---|---|---|---|---|---|---|
| | ***HK$'000*** | ***%*** | *HK$'000* | *%* | *HK$'000* | *%* |
| Hong Kong | **128,159** | **24.0%** | 170,295 | 24.1% | (42,136) | –24.8% |
| The PRC | **240,433** | **45.1%** | 292,307 | 41.4% | (51,874) | –17.8% |
| Asia (Excluding Hong Kong and the PRC) | **73,787** | **13.8%** | 128,637 | 18.2% | (54,850) | –42.6% |
| Europe | **67,098** | **12.6%** | 89,651 | 12.8% | (22,553) | –25.2% |
| Others | **24,131** | **4.5%** | 25,031 | 3.5% | (900) | –3.5% |
| | **533,608** | **100.0%** | 705,921 | 100.0% | (172,313) | –24.4% |

The Group has two PCB manufacturing plants both located at Zhongshan, Guangdong of the PRC and one LED manufacturing plant located at Shenzhen, Guangdong of the PRC.

| **Production Plant** | **Location** | **Area** | **Products** | **Production capacity** | **Commencement of operations** |
|---|---|---|---|---|---|
| LED Lighting | Shenzhen, Guangdong, the PRC | 3,000 sq. m. | LED lighting | 15,000 LED lamps per month | July 2010 |
| Plant 1 | Zhongshan, Guangdong the PRC | 58,000 sq. m. | 1 layered PCBs | 1,300,000 sq. ft. per month | May 2003 |
| Plant 2 | Zhongshan, Guangdong the PRC | 52,000 sq. m. | 2–12 layered PCBs | 900,000 sq. ft. per month (phase 1) | October 2007 (phase 1) |

## FINANCIAL REVIEW

For the Year, the Group's turnover amounted to approximately HK$533.6 million, representing a decreased of 24.4% as compared to approximately HK$705.9 million for the last year. The turnover of LED lighting has decreased by 81.0% when compared with 2014. The gross profit margin for the year of 2015 was 7.5% (2014: 7.4%). The gross profit margins for LED lighting and PCBs were 7.0% and 7.6% respectively.

The turnover for both LED lighting and PCB business decreased, mainly attributable to (i) strong competition in LED lighting sector; (ii) more competitiveness in PCB industry; and (iii) reduction in average selling price of PCB. Loss attributable to shareholders was approximately HK$81.2 million (2014: HK$111.9 million).

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2015, the Group had total assets of approximately HK$980.2 million (31 December 2014: HK$1,141.1 million) and interest-bearing borrowings of approximately HK$122.2 million (31 December 2014: HK$231.2 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 12.5% (31 December 2014: 20.3%).

The Group had net current assets of approximately HK$9.8 million (31 December 2014: net current assets of HK$57.9 million) consisted of current assets of approximately HK$687.6 million (31 December 2014: HK$798.0 million) and current liabilities of approximately HK$677.8 million (31 December 2014: HK$740.1 million), representing a current ratio of approximately 1.01 (31 December 2014: 1.08).

As at 31 December 2015, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$129.5 million (31 December 2014: HK$273.3 million). As at 31 December 2015, the Group had cash and bank balance (excluding pledged bank deposits) of approximately HK$43.8 million (31 December 2014: HK$167.3 million).

For the directors' opinion, the existing cash level is enough for the daily operation of the Group. In order to provide the shareholders with a better return on investment, the Company would like to explore new opportunities and product mix in the PCB segment. In order to strength the financial ratio and financial performance, we would try our best to increase the speed of collection of the Account receivable, reduce the bank liabilities and increase of the equity by issue of the new equity shares.

## FOREIGN CURRENCY EXPOSURE

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

## HUMAN RESOURCES

As at 31 December 2015, the Group employed a total of approximately 1,687 employees (31 December 2014: 2,068), including approximately 1,611 employees in its Zhongshan production site, 55 employees in its PRC LED business units and approximately 21 employees in its Hong Kong office.

The Group's remuneration policy is reviewed regularly, with reference to the legal framework, market conditions and the performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive directors and members of the senior management are also reviewed by the remuneration committee. The Group may grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. The Group holds regular training programmes and encourages staffs to attend training courses and seminars that are related directly or indirectly to the Group's business.

## OUTLOOK

### 1. Group strategic move and prospects in LED segment

#### *A. Enhancement of existing technology and production base*

The Group understands that the potentials of the LED segment have not been fully explored. Based on our current technology platform, accumulated experience and to further strengthen our market share in the street light market, the Group has formulated the following strategies going forward:

*(i) Selling of street light modules to partners other than first tier cities*

The Group will continue to focus our effort in pursuing large street light projects in first tier cities as these projects require an established brand, quality product and control experience of extensive project profile.

Gauged on our technology and procurement strengths, establishing partnership with other street light service providers other than first tier cities will be the focus of our marketing effort. Other than further utilising our technology and production capacity, this move is hoped to improve our market share in Mainland China and also our cash flow in the coming years though the margin per project is expected to reduce.

On balance, the Group believes that this strategy will strengthen the Group in the LED street light sector and increase overall profitability level in the long run.

*(ii) Extension to the overseas market of street light*

Thanks to our extensive project experience, quality of our products and the product profiles in Mainland China, the Group has been approached by various overseas buyers to request the supply of street light overseas. This request has inspired the Group to consider the overseas market in the coming financial year. This strategic change will further utilise our existing technology and production platform.

Accordingly, the Group expects to expand the overseas division by recruiting more professionals or cooperating with other companies in order to vigorously explore the overseas market potentials.

Certainly, more research and development will be conducted on advanced street light application including wireless control system of the smart street light which has been started to apply in Mainland China projects.

*(iii) New product range: High-watt-flood-light for signage lighting*

A well-known issue for the advertising industry is that the signage lighting has consumed a lot of power for the signboard or the billboard. As the Group has extensive experience in lighting design in utilizing special lens, high wattage driver, high power LED chips and heat sink ("**Special Lighting Design**", or SLD), the Group believes this market potential is great and will focus to develop a series of products which will match the special requirements of the advertising industry normally utilising the lights with a range between 100 watts to more than 1,000 watts.

***B. Extension of our technology to Special Lighting Design***

As just mentioned, the Group has specialised experience in SLD. The potential in applying our existing researches are also vital to the Group development in the LED lighting sectors. As a result, the Group has continued to research the applications which could utilise our technology base to further develop our product profile.

The Group believes that the special LED sector is expected to generate more business in future and has a lot of potentials. The Group may also consider developing in the plant factory system and industry if opportunity comes. The Group is identifying suitable partners in this sector with the view to entering this industry as early as possible.

***C. Extension of product profile***

As the LED technology has become more stable, the demand of products for small-wattage products (1 watt to 48 watts) becomes more popular. The demand for these products are significant for both Mainland China and overseas market.

The Group plans to specialise in certain product range in order to tap the market move in the coming financial year. The Group intends to focus on either special products or high volumes product in order to fully utilise the branding effect and production capacity.

***D. Conclusion***

The Company expects the LED lighting industry to continue to grow for industrial and commercial applications.

The Group hopes to seize this opportunity by combining the current and new technology and resources to improve its industry position. The Group will continue its efforts in the coming year with the view to improving our performance in the LED lighting sector.

## 2. Group strategic move and prospects in PCB segment

***2015 PCB Business Overview and 2016 Outlook***

Following the global economic slowdown, the PCB industry also experiences similar pressure in the Year. Although the PCB industry faces a general slowdown in the demand growth in the market, the competition in the industry is less severe as some PCB manufacturers left the field, resulting in a more favourable business environment for the industry on a whole for the year 2016.

In the market of end-user product, there is a trend for PCB manufacturers to shift their production from personal computer, notebook and consumer electronics to communications, computer peripheral and communication infrastructure products. Therefore, the demand growth for rigid-flex board will be greater than that of the general purpose rigid board.

The management will supervise the Group's business development activities so as to align with the market trend and equip the Group's staff members with the necessary technology knowledge to help move the Group's business forward.

***A. Adjustment to product mix:***

For single-sided PCBs, we intend to shift to metal base materials for high-end LED and backlight power supply. The Company is hoping for an improvement of PCB sales in view of the major international customers secured in 2015.

For multi-layered PCBs, we intend to develop motor vehicle market. The Company is trying to secure orders from leading automotive electrical appliance assembly companies in the world.

We also intend to strengthen our cooperation with top domestic PCB manufacturers to support our research and development and marketing of high-end 4G communications products.

***B. Measures to be taken in order to increase sales***

We target to expand our sales team and recruit talents, in particular building our teams for overseas markets such as Europe and U.S. to capture any opportunities.

We target to expand our OEM function, and will share market and profit with suitable OEM manufacturers while securing long-term customers.

We target to improve our production quality and optimise management through assessment of performance.

## CHARGE OF ASSETS

At the respective end of the reporting periods, the following assets were pledged to banks to secure general banking facilities granted to the Group:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Buildings | **140,834** | 153,363 |
| Plant and machinery | **860** | 1,259 |
| Pledged bank deposits | **85,737** | 105,936 |
| Prepaid lease payments | **19,459** | 20,074 |
| Trade receivables | **–** | 12,875 |
| | **246,890** | 293,507 |

## LITIGATIONS

**(a)** In June 2014, Tat Chun Printed Circuit Board Company Limited ("**HKTC**"), a subsidiary of the Company, received an order from Zhejiang Province Jiaxing Intermediate People's Court ordering HKTC to comply with an arbitral award in the PRC which requires HKTC to make a payment to a customer in the amount of approximately HK$14,701,000 in respect of certain alleged breach of contract.

In view of the possible cash outflow arising from such proceedings, the full amount of the compensation was provided for and recognised as other gains and losses in the consolidated financial statements for the years ended 31 December 2014. HKTC paid the compensation to the customer in full in June 2015.

**(b)** On 9 December 2014, TC Orient (Jiangsu) Optoelectronic Company Limited (達進東方(江蘇)光電有限公司) ("**TC Orient (JS)**"), a subsidiary of the Company, received a writ issued by 連雲港市連溧椿基工程有限公司中雲分公司 (the "**Plaintiff**") against TC Orient (JS) and filed with Lianyungang City Lianyun District People's Court together with the related court summons, whereby the Plaintiff alleged that TC Orient (JS) shall make a payment of RMB1,331,000 (approximately HK$1,662,000) under certain alleged settlement agreement.

In view of the possible cash outflow arising from such proceedings, the full amount of the claim was provided for and recognised as other gains and losses in the consolidated financial statements for the year ended 31 December 2014. In July 2015, Lianyungang City Lianyun District People's Court made an order requiring TC Orient (JS) to make full payment under the claim.

**(c) PRC Court Orders**

On 23 April 2015, Zhongshan Tat Chun Printed Circuit Board Company Limited (中山市達進電子有限公司), a wholly owned subsidiary of the Company ("**Zhongshan Tat Chun**") received court orders (the "**PRC Court Orders**") issued on 17 April 2015 by the court of Bao An District, Shenzhen City, Guangdong Province, the PRC (the "**Bao An Court**"). Pursuant to the PRC Court Orders, upon the application made by Huang Shuidi (黃水第) ("**Ms. Huang**"), Bao An Court granted a pre-trial injunction to restraint (i) Mr. Chen Jing; (ii) Shenzhen Optoelectronic Industry Holdings Group Company Limited (深圳光電產業控股集團有限公司) (a company whose president is Mr. Chen since 2012) ("**Shenzhen Optoelectronic**"); (iii) Zhongshan Tat Chun; and (iv) Shenzhen City Jin Lai Shun Group Company Limited (深圳市金來順集團有限公司) (a company whose chief executive officer was Mr. Chen from 2007 to 2013) ("**Jin Lai Shun**") from disposing of their assets in the total amount of RMB12,340,000.

According to the PRC Court Orders, the pre-trial injunction was granted in relation to the dispute over the loan transactions between Ms. Huang, Shenzhen Optoelectronic, Mr. Chen, Zhongshan Tat Chun and Jin Lai Shun.

Further details relating to the PRC Court Orders are more particularly set out in the Company's announcement dated 30 April 2015.

**(d) The Demand Letter and the Purported Guarantees and Indemnity**

On 27 April 2015, Tat Chun PCB International Company Limited (a wholly-owned subsidiary of the Company) ("**Tat Chun PCB**") received a demand letter dated 21 April 2015 (the "**Demand Letter**") from a solicitors firm acting on behalf of the Huang Guihua, Wu Qian Hong and Ms. Huang (the "**Lenders**"), alleging that:

1. Zhongshan Tat Chun had purportedly provided seven guarantees (the "**Guarantees**") for securing the repayment of the loans granted by the Lenders to Mr. Chen and Shenzhen Optoelectronic in the total principal amount of RMB$31,000,000.00 (the "**Guaranteed Principal**") and accrued interests RMB8,048,000;

2. Tat Chun PCB and the Company purportedly executed an indemnity dated 11 April 2015 in favour of the Lenders and Mr. Chen Gui Yang (陳貴陽) (the "**Indemnity**"), pursuant to which Tat Chun PCB and the Company purportedly covenanted to pay to the Lenders and Mr. Chen Gui Yang (陳貴陽) the moneys owed to them by Mr. Chen and Shenzhen Optoelectronic in the total sum of RMB77,720,000.00 which consisted of the aggregate principal amount of RMB60,700,000.00 and interest in the aggregate amount of RMB17,020,000.00, such sums included the Guaranteed Principal.

In the Demand Letter, the law firm acting on behalf of the Lenders demanded Tat Chun PCB to pay to the Lender the sum of RMB39,048,000.00, within 21 days from the date of the Demand Letter. Further details relating to the Demand Letter, the Guarantees and the Indemnity are more particularly set out in the Company's announcement dated 30 April 2015.

**(e) First Petition and Second Petition**

On 13 May 2015, Tat Chun PCB received a petition for commencing the legal proceedings for its winding up in the High Court of Hong Kong issued by the Lenders (the "**First Petition**"). Further details relating to the First Petition are more particularly set out in the Company's announcement dated 15 May 2015.

The Company was also notified that a second petition dated 13 May 2015 was filed with the High Court of Hong Kong against the Company for its winding up (the "**Second Petition**"). The Second Petition is, again, based on the allegations along the lines of the Demand Letter and the First Petition. Further details relating to the Second Petition are more particularly set out in the Company's announcement dated 9 July 2015.

**(f) Dismissal of the PRC Court Order**

Upon the application of Ms. Huang and other plaintiffs, Bao An Court granted orders on 13 August 2015 (the "**Withdrawal Orders**") ordering the withdrawal of the PRC Court Orders and all related pre-trial asset-preserving injunctions and legal proceedings involving Zhongshan Tat Chun, Tat Chun PCB and the Company. According to the Withdrawal Orders, Ms. Huang and other plaintiffs have reached a settlement agreement with the defendants (other than Zhongshan Tat Chun and Tat Chun PCB) and therefore wished to petition to the Bao An Court for withdrawing all proceedings and injunctions against Zhongshan Tat Chun and Tat Chun PCB.

Further details relating to the dismissal of the PRC Court Orders are more particularly set out in the Company's announcement dated 18 August 2015.

**(g) Dismissal of the First Petition and Second Petition**

Upon the application for consent summons by the petitioners and the Company, the High Court of Hong Kong ordered at a hearing on 31 August 2015 that the First Petition and the Second Petition be dismissed.

Further details relating to the dismissal of the First Petition and the Second Petition are more particularly set out in to the Company's announcement dated 31 August 2015.

## OTHER INFORMATION

### Dividends

The Board does not recommend the payment of any dividend for the Year (31 December 2014: Nil).

### Appointment of Compliance Officer and Internal Auditor

On 1 April 2016, the Company appointed:

(1) Ms. Ho Wing Yan as the Company's full-time compliance officer to take up the overall responsibilities and functions of the Group in relation to our financial reporting procedures, compliance, corporate governance, internal control system and directors' training; and

(2) Mr. Wong Wing Cheung as the Company's full-time internal auditor to monitor and ensure compliance of financial reporting and internal control procedures of the Group.

## Share option scheme

Details of movements in the share options of the Company are as follows:

| Grantee | Date of grant | Exercise price per share *HK$* | Outstanding at 1 January 2015 *'000* | Granted during the year *'000* | Reclassification *'000* | Exercised during the year *'000* | Lapsed/ Forfeited during the year *'000* | Outstanding at 31 December 2015 *'000* | Exercisable period |
|---|---|---|---|---|---|---|---|---|---|
| Directors: | | | | | | | | | |
| Yeung Hoi Shan | 22 October 2014 | 1.25 | 3,900 | – | (3,900) | – | – | – | *(Note 4)* |
| Zhu Jianqin | 29 September 2009 | 1.07 | 600 | – | – | – | (600) | – | *(Note 1)* |
| | 2 September 2011 | 2.11 | 2,300 | – | – | – | – | 2,300 | *(Note 3)* |
| | 22 October 2014 | 1.25 | 1,300 | – | – | – | – | 1,300 | *(Note 4)* |
| Chen Jing | 22 October 2014 | 1.25 | 3,900 | – | – | – | (3,900) | – | *(Note 4)* |
| Li Jianchao | 22 October 2014 | 1.25 | 4,423 | – | – | – | (4,423) | – | *(Note 4)* |
| Shi Qiu Yu | 22 October 2014 | 1.25 | 4,423 | – | – | – | – | 4,423 | *(Note 4)* |
| Leung Wah | 22 October 2014 | 1.25 | 440 | – | – | – | (440) | – | *(Note 4)* |
| Lai Sze Ngot | 22 October 2014 | 1.25 | 440 | – | – | – | (440) | – | *(Note 4)* |
| Chen Zheng Xue | 22 October 2014 | 1.25 | 440 | – | – | – | – | 440 | *(Note 4)* |
| Subtotal | | | 22,166 | – | (3,900) | – | (9,803) | 8,463 | |

| Grantee | Date of grant | Exercise price per share *HK$* | Outstanding at 1 January 2015 *'000* | Granted during the year *'000* | Reclassification *'000* | Exercised during the year *'000* | Lapsed/ Forfeited during the year *'000* | Outstanding at 31 December 2015 *'000* | Exercisable period |
|---|---|---|---|---|---|---|---|---|---|
| Consultant | 29 September 2009 | 1.07 | 600 | – | – | – | (600) | – | *(Note 1)* |
| | 29 November 2010 | 3.39 | 1,300 | – | – | – | – | 1,300 | *(Note 2)* |
| | 22 October 2014 | 1.25 | 8,261 | – | 3,900 | – | (1,320) | 10,841 | *(Note 4)* |
| | | | 10,161 | – | 3,900 | – | (1,920) | 12,141 | |
| Employee | 02 September 2011 | 2.11 | 2,000 | – | – | – | – | 2,000 | *(Note 3)* |
| | 22 October 2014 | 1.25 | 16,483 | – | – | – | (12,896) | 3,587 | *(Note 4)* |
| | | | 18,483 | – | – | – | (12,896) | 5,587 | |
| Total | | | 50,810 | – | – | – | (24,619) | 26,191 | |

*Note 1:* Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

*Note 2:* Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 10th year after the date of grant.

*Note 3:* Options are exercisable subject to (i) up to 25% of the options are exercisable on or after 2 March 2012; (ii) up to 50% of the options are exercisable on or after 2 March 2013; (iii) up to 75% of the options are exercisable on or after 2 March 2014; and (iv) all the remaining options are exercisable on or after 2 March 2015. The options will be expired in the 10th year after the date of grant.

*Note 4:* Options are exercisable on or after 22 October 2014. The options will be expired in the 10th year after the date of grant

## Purchase, sales or redemption of the Company's listed securities

During the year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of its own listed securities.

## Compliance with the Code of Corporate Governance Practices

The Board of the Company recognizes the importance of corporate governance practice of a listed company and is committed to adopting the standards of corporate governance. It is in the interest of the stakeholders and shareholders for a listed company to operate in a transparent manner with the adoptions of various self-regulatory policies, procedures and monitoring mechanisms with a clear definition of accountability of directors and management.

The Company and the Board 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 Listing Rules on the Stock Exchange throughout the Year, except the deviations disclosed in the following paragraph:

(i) With respect to Code Provision A.1.5, minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. We note that the minutes of some of the board meetings in the Year failed to record in sufficient detail the matters considered, the reasons for making the decisions and any dissenting views. Upon the revelation of such deviations, the Board spoke with the relevant directors who attended the relevant meetings and recorded the matters, reasoning and dissenting views discussed at those meetings by way of supplemental attendance notes or memoranda. The Board has also set up policies to ensure that all future minutes shall record in sufficient detail the matters considered and decisions reached. After the adoption of such remedial measures, the Company regards that it has now complied with Code Provision A.1.5.

(ii) With respect to 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. 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 an appropriate person to succeed. On 1 September 2014, Mr. Li Jianchao was appointed as an executive director and the CEO of the Company. Upon the resignation of Mr. Li on 5 June 2015, Mr. Zeng Xiang Di was appointed Deputy CEO of the Company. Upon the resignation of Mr. Zeng on 16 November 2015, Mr. Wang Shi Jin was appointed the CEO of the Company. Currently, the Company regards that it has complied with Code Provision A.2.1.

(iii) With respect to Code Provision A.2.5, the chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established. With respect to Code Provision A.2.6, the chairman should encourage (a) all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issue; and (b) directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus. We note that the Company has not maintained written records of its internal control and corporate governance practices for the Year. As disclosed in the Company's announcements dated 31 August 2015, 6 November 2015 and 6 January 2016, the Company engaged RSM Nelson Wheeler Consulting Limited ("**RSM**") as our internal control consultant to draw up the Group's internal control and corporate governance policies. After the adoption of a new set of internal control procedures (the "**New IC Procedures**") on 5 November 2015, the Company regards that it has now complied with Code Provisions A.2.5 and A.2.6.

(iv) With respect to Code Provision A.2.7, the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. We cannot identify any records of such meetings being held during the Year. Upon the revelation of such deviations, the Company has adopted the New IC Procedures which include policies about regular meetings in compliance with Code Provision A.2.7. After the adoption of the New IC Procedures, the Company regards that it has now complied with Code Provision A.2.7.

(v) With respect to Code Provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. When Ms. Shi Qiu Yu was appointed as a non-executive Director on 16 October 2014, she has not been appointed for any fixed term but was subject to retirement by rotation and re-election at the annual general meeting (the "**AGM**") of the Company in accordance with the articles of association of the Company (the "**Articles**"). Upon the revelation of such deviations, the Company has set up policies to ensure that all directors should be appointed for specific term in future. After the adoption of the new policies, the Company regards that it has now complied with Code Provision A.4.1.

(vi) With respect to Code Provision A.6.1, every newly appointed Director of the Company should receive a comprehensive, formal and tailored induction on appointment and should subsequently receive briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statue and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies. With respect to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skill, and Directors should provide a record of the training they received to the issuer. We note that certain Directors might not have received formal induction and training and/or might not have maintained written records of their training as required under the CG Code during the Year. On 16 November 2015, the Company has arranged for directors' training on common law directors' duties, the Listing Rules, Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") and the Securities and Futures Ordinance (the "**SFO**"). In addition, the Company has set up policies to ensure that regular training will be provided to directors in future. After the adoption of the remedial measures, the Company regards that it has complied with Code Provisions A.6.1 and A.6.5.

(vii) With respect to Code Provision C.1.2, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. We note that certain Directors might not have been provided with the management accounts on a monthly basis during the Year. Upon the revelation of such deviations, the Company has put in place policies to circulate monthly management accounts to all its Directors. After the adoption of such remedial measures, the Company regards that it has complied with Code Provision C.1.2.

(viii) With respect to Code Provisions C.2.1 and C.2.2, (a) the Board should conduct a review of the effectiveness of the risk management and internal control systems of the issuer and its subsidiaries at least annually; (b) the review should cover all material controls, including financial, operational and compliance controls and risk management functions; and (c) such annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function. As stated in the Company's announcements dated 31 August 2015, 6 November 2015 and 6 January 2016, the Company engaged RSM as our internal control adviser to conduct a thorough review of our internal control systems and make recommendations to the Company for this purpose. RSM has made recommendations to the Company and the Board has, on 5 November 2015, adopted the New IC Procedures which not only cover the usage of chops and grant of guarantees and indemnities but also policies regarding: (a) investment decisions; (b) handover of work on change of key personnel; (c) risk assessment and control; (d) external communication; (e) financial reporting, budgeting and closing, bank reconciliation, accounting system and records; (f) cash management and loans approval; (g) sales contract management, sales order approval and credit control; (h) purchase contract management and procurement; (i) record registration, management, depreciation and disposal of fixed assets; (j) stock take, reconciliation and record registration of inventory; (k) management and filing of contract authorization and execution; (l) human resources and payroll; (m) production, materials monitoring and quality; and (n) information technology controls. In the first week of December 2015, the New IC Procedures have been circulated to all relevant staff members of the Group. The heads of the departments of each and every key operating subsidiary of the Company in China were delegated the responsibility to provide introductory training to his staff members on the New IC Procedures. After the adoption of the New IC Procedures, the Company regards that it has complied with Code Provisions C.2.1 and C.2.2.

(ix) With respect to Code Provision C.2.5, the issuer should have an internal audit function and issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. The Company does not currently have an internal audit function. In addition, we are not aware of any review of the need for internal audit function being carried out during the Year. Upon the recommendation of RSM, on 1 April 2016 the Company engaged a full-time internal auditor to ensure compliance of internal control procedures by the Group's staff and a full-time compliance officer to take up the overall responsibilities and functions of the Group in relation to our financial reporting procedures, compliance, corporate governance, internal control systems and directors' training.

(x) With respect to Code Provision D.1.4, Directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. We note that the Company had not signed any formal letter of appointment with Ms. Shi Qiu Yu when she joined the Company as a non-executive Director between 16 October 2014 and 29 January 2015. However, upon her re-designation as an executive Director on 29 January 2015, the Company entered into a service contract with Ms. Shi Qiu Yu.

(xi) With respect to Code Provision D.3.1, the terms of reference of the Board or the committee performing the corporate governance functions should cover aspects on the development, monitoring and review of (i) the Company's corporate governance policies and practices; (ii) training and continuous professional development of directors and senior management, (iii) policies and practices relating to compliance of law and regulations and the CG Code; and (iv) code of conduct and compliance manual applicable to employees and directors. We are not aware of any terms of reference of the Board regarding the Company's corporate governance functions during the Year. Upon the recommendation of RSM, the Company established a compliance committee on 5 November 2015 to oversee the Company's corporate governance and compliance functions. After the establishment of the compliance committee, the Company regards that it has complied with Code Provision D.3.1.

(xii) With respect to Code Provision E.1.4, the board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. We note that the Company might not have a formal written shareholders' communication policy during the Year. Upon the revelation of such deviations, the Company adopted the New IC Procedures on 5 November 2015 which contains written shareholders' communication policy. After the adoption of the New IC Procedures, the Company regards that it has complied with Code Provision E.1.4.

The Board and the compliance committee shall continue to monitor and review the Company's corporate governance practices to ensure compliance of the CG Code.

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

The Company also adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by the directors. Because of the changes in directorship during the year, the Company is no longer in the position to obtain confirmations from all resigned directors as to their compliance of the Model Code. Having made specific enquiry with Mr. Chen Yongsen, Mr. Wang Shi Jin, Mr. Zhu Jianqin, Mr. Chen Zheng Xue, Ms. Shi Qiu Yu, Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, Mr. Zhang Xiaofei, Dr. Tsang Cheung Fat, Mr. Zeng Xiang Di, Mr. Leung Wah, Ms. Lai Sze Ngot, Mr. Luk Chi Keung and Mr. Charles Liu Kam Man, each of them confirmed that he/she has complied with the Model Code during the year.

## AUDIT COMMITTEE

As at 31 December 2015, the AC comprised of three independent non-executive Directors, namely, Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny and Mr. Zhang Xiaofei. One out of three AC members, namely Mr. Anson Poon Wai Kong, possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. On 11 April 2016, Mr. Ye Ji Li was appointed a member of the AC. As at 31 December 2015 and as of the date of this Annual Results, Mr. Anson Poon Wai Kong was and is the chairman of AC.

No former partner of the Company's existing auditing firm acted as a member of the AC within one year from ceasing to be a partner or having any financial interest in the auditing firm.

The AC was delegated with the authority of the Board of the Company to investigate any activity within its terms of reference. The primary function of the AC is to review and supervise the Group's financial reporting process and internal controls. The AC has also reviewed arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions. The full terms of reference of the AC are available on the Company's website: www.tatchun.com and the website of the Stock Exchange: www.hkexnews.hk.

The Group's audited financial statements for the year ended 31 December 2015 have been reviewed by the audit committee, which is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 15 April 2016

*As at the date hereof, the executive Directors are Mr. Chen Yongsen (Chairman), Mr. Wang Shi Jin (Chief Executive Officer), Mr. Zhu Jianqin, Mr. Chen Zheng Xue, Ms. Shi Qiu Yu, Mr. Chen Hua and Mr. Wong Wing Choi; and the independent non-executive Directors are Mr. Anson Poon Wai Kong, Mr. Poon Chi-Choy, Sonny, Mr. Zhang Xiaofei and Mr. Ye Ji Li.*