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 2017

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 2017 together with the comparative amounts for the corresponding year in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Turnover	*4*	**559,443**	395,450
Cost of sales		**(551,924)**	(391,564)
Gross profit		**7,519**	3,886
Other income	*5*	**22,976**	20,435
Other gains and losses	*6*	**(11,375)**	(14,462)
Share result of an associate		**—**	(78)
Selling and distribution expenses		**(21,265)**	(24,122)
Administrative expenses		**(65,474)**	(62,905)
Finance costs	*7*	**(38,728)**	(12,699)
Loss before tax		**(106,347)**	(89,945)
Income tax expense	*8*	**(36)**	(2,577)
Loss for the year	*9*	**(106,383)**	(92,522)

	Notes	2017 HK$'000	2016 HK$'000
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Gain/(deficit) on revaluation of properties		**6,441**	(6,916)
Deferred tax (liabilities)/assets arising from revaluation of properties		**(1,610)**	1,729
		4,831	(5,187)
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(1,834)**	6,154
Other comprehensive income for the year		**2,997**	967
Total comprehensive loss for the year		**(103,386)**	(91,555)
Loss for the year attributable to:			
Owners of the Company		**(98,458)**	(89,036)
Non-controlling interests		**(7,925)**	(3,486)
		(106,383)	(92,522)
Total comprehensive loss attributable to:			
Owners of the Company		**(97,006)**	(86,492)
Non-controlling interests		**(6,380)**	(5,063)
		(103,386)	(91,555)
			(restated)
Loss per share			
Basic and diluted *(in HK cents)*	10	**(7.04)**	(8.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**174,076**	186,578
Prepaid lease payments — non-current portion		**31,326**	31,463
Interests in associates		**—**	24,404
Trade receivables with extended credit terms	12(a)	**30,713**	41,998
		236,115	284,443
Current assets			
Inventories		**46,982**	70,523
Prepaid lease payments — current portion		**934**	915
Trade and other receivables	12(a)	**528,130**	415,171
Bills receivables	12(b)	**16,708**	4,528
Pledged bank deposits		**22,453**	79,051
Bank balances, deposits and cash		**43,633**	67,761
		658,840	637,949
Current liabilities			
Trade and other payables	13(a)	**299,020**	352,692
Bills payables	13(b)	**47,797**	80,541
Taxation payables		**78,932**	75,098
Bank borrowings — due within one year		**156,386**	133,468
Obligations under finance leases — due within one year		**—**	225
		582,135	642,024
Net current assets/(liabilities)		**76,705**	(4,075)
Total assets less current liabilities		**312,820**	280,368
Non-current liability			
Deferred taxation		**16,613**	15,003
		16,613	15,003
Net assets		**296,207**	265,365
Capital and reserves			
Share capital		**205,927**	102,964
Reserves		**96,800**	162,541
Equity attributable to owners of the Company		**302,727**	265,505
Non-controlling interests		**(6,520)**	(140)
Total equity		**296,207**	265,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004 and was registered as a non-Hong Kong Company under Part 16 of Hong Kong Companies Ordinance (Cap.622) ("**new CO**"). Its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Able Turbo Enterprises Limited ("**Able Turbo**") is the substantial shareholder of the Company. Able Turbo is owned to 60.31% by Mr. Chen Hua (a director of the Company) and 39.69% by Mr. Li Xiangen. 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 as an investment holding company.

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

Amendments to HKFRSs that are mandatory effective for the current year

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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, 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.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The Group's liabilities arising from financing activities consist of bank borrowing, obligation under finance lease and certain other financial liabilities.

A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to HKAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in way that is consistent with these amendments.

Annual Improvement to HKFRSs 2014-2016 Cycle

The Group has applied the amendments to HKFRS 12 included in the Annual Improvements to HKFRSs 2014 — 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

HKFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of HKFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2021

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. TURNOVER

	2017	2016
	HK$'000	*HK$'000*
An analysis of the Group's turnover is as follows:		
Sales of printed circuit boards ("**PCB**")	**365,603**	349,621
Sales of light emitting diode ("**LED**") lighting	**8**	9,242
Tradings of tower and electric cable	**193,832**	36,587
	559,443	395,450

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**935**	2,173
Imputed interest on trade receivables with extended credit terms	**3,089**	5,943
Sales of scrap materials	**13,932**	10,954
Government grants *(note)*	**2**	356
Others	**5,018**	1,009
	22,976	20,435

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.

6. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Write-down of Inventories	**(15,323)**	—
Net foreign exchange gain	**26**	2,691
Impairment loss recognised on other receivables	**—**	(3,196)
Amounts recovered as uncollectible trade receivables with normal credit terms	**—**	373
Impairment loss recognised on trade receivables with extended credit forms	**—**	(14,050)
Impairment loss recognised on trade receivables with normal credit terms	**(3,256)**	(22)
Provision for compensation charges	**—**	(134)
Reversal of impairment loss previously recognised on trade receivables with extended credit terms	**7,468**	3,021
Loss on disposal/written off of property, plant and equipment	**(453)**	(2,828)
Others	**163**	(317)
	(11,375)	(14,462)

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
— Bank and other borrowing wholly repayable within five years	**38,701**	12,668
— Obligations under finance leases	**27**	31
	38,728	12,699

8. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**36**	2,577
Hong Kong Profits Tax	**—**	—
	36	2,577

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

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years.

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.

9. LOSS FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Employee expenses, including directors' and chief executive officer's remuneration *(note)*	**89,588**	98,735
Retirement benefit schemes contributions *(note)*	**9,358**	10,161
Total employee expenses	**98,946**	108,896
Auditors' remuneration:		
audit service	**1,800**	1,800
non-audit service		
— Investment circular report	**200**	130
— Interim review	**300**	300
Cost of inventories recognised as an expense	**551,924**	391,564
Depreciation of property, plant and equipment	**21,069**	24,670
Research and development costs recognised as an expense	**1,378**	1,836
Amortisation of prepaid lease payments	**915**	1,666

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

10. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share, loss for the year	**(98,458)**	(89,036)

	2017	2016
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,399,324**	1,068,009

Note: The weighted average number of ordinary shares for the year ended 31 December 2016 has been adjusted and restated for the right issue completed during the year ended 31 December 2017.

The basic and diluted loss per share are the same for the years ended 31 December 2017 and 2016. 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.

11. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

12. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

	2017	2016
	HK$'000	*HK$'000*
Trade receivables with normal credit terms	**310,859**	176,985
Less: Allowance for doubtful debts	**(4,729)**	(1,473)
	306,130	175,512
Trade receivables with extended credit terms	**131,692**	152,194
Less: Allowance for doubtful debts	**(11,869)**	(19,337)
	119,823	132,857
Total trade receivables, net of allowance for doubtful debts	**425,953**	308,369
Less: Non-current portion of trade receivables with extended credit terms	**(30,713)**	(41,998)
Current portion of trade receivables	**395,240**	266,371

The Group generally allows an average credit period of 30 days to 180 days to its trade on PCB customers and tradings of towers and electric cable 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**	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
0-30 days	**—**	—	**36,833**	68,418	**36,833**	68,418
31-60 days	**—**	—	**56,423**	41,191	**56,423**	41,191
61-90 days	**—**	—	**42,492**	26,341	**42,492**	26,341
91-180 days	**—**	—	**73,356**	31,586	**73,356**	31,586
Over 180 days	**119,823**	132,857	**97,026**	7,976	**216,849**	140,833
	119,823	132,857	**306,130**	175,512	**425,953**	308,369

(b) Bills Receivables

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

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**—**	109
31-60 days	**—**	454
Over 60 days	**16,708**	3,965
	16,708	4,528

13. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and Other Payables

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

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**29,728**	25,889
31-60 days	**23,109**	28,524
61-90 days	**18,177**	13,211
91-180 days	**18,292**	33,287
Over 180 days	**45,395**	40,575
Total trade payables	**134,701**	141,486
Other payables	**144,079**	190,849
Accrued salaries and other accrued charges	**20,240**	20,357
	299,020	352,692

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 Payables

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

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**—**	8,463
31-60 days	**—**	13,006
61-90 days	**4,563**	30,131
91-180 days	**33,754**	28,941
Over 180 days	**9,480**	—
	47,797	80,541

14. 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 tradings of towers and electric cable and the information reported to the chief operating decision maker was analysed based on the three types of PCB, LED lighting and tradings of towers and electric cable 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
- Tradings of tower and electric cable

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.

	2017	2016
	HK$'000	*HK$'000*
TURNOVER — external sales		
Single-sided PCB	**107,433**	94,526
Double-sided PCB	**99,095**	141,909
Multi-layered PCB	**159,075**	113,186
LED lighting	**8**	9,242
Tradings of tower and electric cable	**193,832**	36,587
Total	**559,443**	395,450
RESULTS		
Segment losses		
— Single-sided PCB	**(15,900)**	(16,586)
— Double-sided PCB	**(14,666)**	(24,900)
— Multi-layered PCB	**(23,544)**	(19,860)
— LED lighting	**(19,297)**	(22,402)
— Tradings of tower and electric cable	**8,691**	8,943
	(64,716)	(74,805)
Other income	**26**	986
Central administrative costs	**(2,929)**	(3,427)
Finance costs	**(38,728)**	(12,699)
Loss before tax	**(106,347)**	(89,945)

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) 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:

	2017	2016
	HK$'000	*HK$'000*
Depreciation and amortisation		
— Single-sided PCB	**5,929**	6,125
— Double-sided PCB	**5,469**	9,196
— Multi-layered PCB	**8,779**	7,334
— LED lighting	**457**	968
— Tradings of tower and electric cable	**—**	—
	20,634	23,623
— unallocated	**1,350**	1,047
	21,984	24,670
Net (amount recovered)/impairment loss recognised in respect of trade and other receivables		
— Single-sided PCB	**—**	—
— Double-sided PCB	**—**	—
— Multi-layered PCB	**3,256**	(351)
— LED lighting	**(7,468)**	14,225
— Tradings of tower and electric cable	**—**	—
	(4,212)	13,874
Write-down of inventories		
— Single-sided PCB	**—**	—
— Double-sided PCB	**—**	—
— Multi-layered PCB	**1,611**	—
— LED lighting	**13,712**	—
— Tradings of tower and electric cable	**—**	—
	15,323	—

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**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia:				
HK	**62,373**	70,790	**248**	753
Taiwan	**9,399**	14,940	**—**	—
The PRC (other than HK and Taiwan)	**426,420**	243,157	**205,154**	217,288
Other Asian countries	**1,793**	11,888	**—**	—
Europe:				
Austria	**16**	11,016	**—**	—
Holland	**—**	155	**—**	—
Hungary	**7,907**	9,916	**—**	—
Switzerland	**1,361**	1,664	**—**	—
Turkey	**22,547**	16,631	**—**	—
France	**4,101**	—	**—**	—
Germany	**5,528**	—	**—**	—
Other European countries	**2,420**	1,579	**—**	—
Others	**15,578**	13,714	**—**	—
	559,443	395,450	**205,402**	218,041

The non-current assets excluded interests in associates and trade receivables with extended credit terms.

Information About Major Customers

Revenue from major customers, each of them accounted for the 10% or more of the Group's revenue, are set out below:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**—**	53,274

15. LITIGATION

(a) The Company was informed by its legal advisers that a writ of summons dated 10 May 2016 under Hong Kong High Court Action No. 1228/2016 (the "**Legal Action**") was filed by Mr. Li Jian Chao ("**Mr. Li**", formerly the chief executive officer and executive director of the Company before he resigned on 5 June 2015) seeking to claim from the Company an alleged outstanding special bonus payment in the amount of HK$1,640,000. On 12 July 2016, the Company filed a defence and counterclaim against Mr. Li (the "**Counterclaim**"), whereby the Company denied (inter alia) that Mr. Li is entitled to the alleged amount and counterclaimed from Mr. Li (inter alia) a total sum of HK$5,224,000, being wrongful receipts by Mr. Li based on certain invalid resolutions purportedly passed by the Board between 31 December 2014 and 4 June 2015, and/or damages for breach of fiduciary duties by Mr. Li when he was a director of the Company between 1 September 2014 and 5 June 2015. The Company will continue to uphold its rights in the Legal Action and the Counterclaim. In the meantime, the Board considers that the Legal Action and the Counterclaim are unlikely to result in any material adverse effect to the Company's operations or financial position. Further details relating to the Legal Action and Counterclaim are more particularly set out in the Company's announcements dated 13 May 2016 and 14 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Regarding the PCB business sector, during the Year, the Company has been continuously facing difficult operating environment due to shrinkage of export markets and high raw material and operational costs. The principal reason for the Group's failure in obtaining more PCB orders from customers is the lack of capital for upgrading the Group's equipment and machinery to enhance precision, speed and quality and to bring in line with the new industry standard of robotic automation and artificial intelligence. The Group has taken various measures to confront the challenges. On one hand, the Group has taken various cost-savings and quality improvement measures so as to cover the competitive shortages. On the other hand, the Group has adopted strategic pricing policy and proactive marketing approach so as to canvass for new sales orders from both existing and potential customers.

Regarding the LED segment, during the Year, the Group has focused on credit management and optimisation of the trade receivable collection. The Group was also in negotiations with business partners with the view to pursuing projects and business opportunities. These negotiations are still ongoing.

On 31 October 2017, the Company announced a rights issue on the basis of one rights share for every one existing shares held at a price of HK$0.13 per rights share. The rights issue was oversubscribed and the Company allotted and issued a total 1,029,635,216 rights shares, with actual net proceeds of approximately HK$130.8 million. With the proceeds from the rights issue, the Group is in a better position not only to reduce its debt but also to capture business opportunities going forward.

BUSINESS REVIEW

The Group is principally engaged in manufacturing and trading of a broad range of LED lighting and PCBs including single-sided 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 2017		Year 2016		Increase/ (decrease)	Change in
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
LED Lighting	**8**	**0%**	9,242	2.3%	(9,234)	(100.0)%
Single-sided PCB	**107,433**	**19.2%**	94,526	23.9%	12,907	13.7%
Double-sided PCB	**99,095**	**17.7%**	141,909	35.9%	(42,814)	(30.2)%
Multi-layered PCB	**159,075**	**28.4%**	113,186	28.6%	45,889	40.5%
Tradings of tower and electric cable	**193,832**	**34.7%**	36,587	9.3%	157,245	430%
	559,443	**100.0%**	395,450	100.0%	163,993	41.5%

The three categories of PCB products are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the Year, single-sided PCB and doubled-sided PCB's used for consumer electronics accounted for approximately 36.9% (2016: 59.8%) of the Group's turnover. High-end multi-layered PCBs were also a core product of the Group, accounting for 28.4% (2016: 28.6%) of turnover.

Since second half year of 2016, the Group has participated in the trading of tower and electric cable business in PRC. The turnover of this sector has generated revenue amounted HK$193,832,000 for the year ended 31 December 2017 (2016: HK$36,587,000), accounting for 34.7% (2016: 9.3%) of total turnover.

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

	Year 2017		Year 2016		Increase/ (decrease)	Change in
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	**62,373**	**11.2%**	70,790	17.9%	(8,417)	(11.9)%
The PRC	**426,420**	**76.2%**	243,157	61.5%	183,263	75.4%
Asia (excluding Hong Kong and the PRC)	**11,192**	**2.0%**	26,828	6.8%	(15,636)	58.3%
Europe	**43,880**	**7.8%**	40,961	10.3%	2,919	7.1%
Others	**15,578**	**2.8%**	13,714	3.5%	1,864	13.6%
	559,443	**100.0%**	395,450	100.0%	163,993	41.5%

The Group has two PCB manufacturing plants both located at Zhongshan, Guangdong, the PRC and one LED manufacturing plant located at Shenzhen, Guangdong, the PRC, summarised as follows:

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.	Single-sided PCBs	530,000 sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong, the PRC	52,000 sq. m.	Double-sided and multi-layered layered PCBs	420,000 sq. ft. per month	October 2007

FINANCIAL REVIEW

For the Year, the Group's turnover amounted to approximately HK$559.4 million (2016: HK$395.5 million), representing an increase of 41.5% as compared to the last year. The turnover of LED lighting has decreased by 100.0% when compared with 2016. The gross profit margin for the year of 2017 was 1.3% (2016: 1.0%). The gross profit/(loss) margins for LED lighting, PCBs and tower and electric cable were 20%, -0.8% and 5.3% respectively.

The decrease in the turnover and gross profit margin for PCB business was mainly attributable to (i) increase in competition in PCB industry; and (ii) reduction in the average selling price of PCB. Loss attributable to shareholders was approximately HK$98.5 million (2016: HK$89.0 million).

Impairment Loss In Respect of Property, Plant and Equipment

No impairment losses were recognised respectively for 2016 and 2017 in respect of plant and machinery and leasehold improvements.

Written off In Respect of Inventories

During the year, HK$15.3 million (2016: Nil) has been recognised as written off in respect of inventories for the year ended 31 December 2017.

Recognised Share Based Payments

During the year ended 31 December 2017, the Group recognised HK$3.5 million share based payment (2016: Nil). No negative cash flow effect is made to the Group as a result of these share based payments.

Impairment Loss And Amount Recovered Recognised on Trade Receivables and Other Receivables

During the Year, the management performed an impairment assessment and recover amount on trade receivables and other receivables, resulting in net amount recovered of HK$4.2 million (2016: Net impairment losses of HK$13.9 million) being recognised for the Group's LED lighting and PCB businesses.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2017, the Group had total assets of approximately HK$895.0 million (2016: HK$922.4 million) and interest-bearing borrowings of approximately HK$179.3 million (2016: HK$243.4 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 20.0% (2016: 26.4%).

The Group had net current assets of approximately HK$76.7 million (2016: net current liabilities of HK$4.1 million) consisted of current assets of approximately HK$658.8 million (2016: HK$637.9 million) and current liabilities of approximately HK$582.1 million (2016: HK$642.0 million), representing a current ratio of approximately 1.13 (2016: 0.99).

As at 31 December 2017, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$66.1 million (2016: HK$146.8 million). As at 31 December 2017, the Group had cash and bank balances (excluding pledged bank deposits) of approximately HK$43.6 million (2016: HK$67.8 million).

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 2017, the Group employed a total of approximately 1,203 employees (2016: 1,322), including approximately 1,166 employees in its Zhongshan production site, 21 employees in its LED division in China and other business units and approximately 16 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

Looking forward, the Board considers that it is vital and necessary for the Group to dedicate more efforts on the research and development with the view to achieving product upgrade and takes various cost-savings and quality improvement measures for the PCB business. The Group has paid high attention to develop high value added PCB products, particularly the copper-based PCB engaged in clean and environmental friendly applications. However, due to the lack of sufficient budget to support the investment on new machinery, the schedule for introducing new corporate customers in the copper-based PCB sector has lagged behind.

Regarding the LED segment, the Group intends to focus on credit management and to optimise the trade receivable collection. The Group intends to continue to look for good business opportunities in the PRC.

The Group will also adopt prudent business approach for the business of trading of tower and electric cable in order to further develop such business in the coming year.

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:

	2017	2016
	HK$'000	*HK$'000*
Buildings	**132,297**	129,778
Plant and machinery	**7,376**	—
Pledged bank deposits	**22,453**	79,051
Prepaid lease payments	**18,228**	18,843
Bills receivable	**—**	1,544
	180,354	229,216

LITIGATIONS

The Company was informed by its legal advisers that a writ of summons dated 10 May 2016 under Hong Kong High Court Action No. 1228/2016 (the "**Legal Action**") was filed by Mr. Li Jian Chao ("**Mr. Li**") seeking to claim from the Company an alleged outstanding special bonus payment in the amount of HK$1,640,000. Mr. Li was formerly the chief executive officer and executive director the Company before he resigned on 5 June 2015. On 12 July 2016, the Company filed a defence and counterclaim against Mr. Li (the "**Counterclaim**"), whereby the Company denied (inter alia) that Mr. Li is entitled to the alleged amount and counterclaimed from Mr. Li (inter alia) a total sum of HK$5,224,000 being wrongful receipts by Mr. Li based on certain invalid resolutions purportedly passed by the Board between 31 December 2014 and 4 June 2015, and/ or damages for breach of fiduciary duties by Mr. Li when he was a director of the Company between 1 September 2014 and 5 June 2015. The Company will continue to uphold its rights in the Legal Action and the Counterclaim. In the meantime, the Board considers that the Legal Action and the Counterclaim are unlikely to result in any material adverse effect to the Company's operations or financial position. Further details relating to the Legal Action and Counterclaim are more particularly set out in the Company's announcements dated 13 May and 14 July 2016.

OTHER INFORMATION

Dividends

The Board has resolved not to recommend the payment of a final dividend (31 December 2016: Nil).

Share Option Scheme

Grantee	Date of grant	Exercise price per share before 20 December 2017	Outstanding at 1 January 2017	Granted during the period	Reclassification during the period	Exercised during the period	Lapsed/ Forfeited during the period	Exercise price per share since 20 December 2017	Outstanding on 20 December 2017	Lapsed/ Forfeited since 20 December 2017	Reclassification	Outstanding at the date of this report	Exercise period
		HK$	*'000*	*'000*	*'000*	*'000*	*'000*	*HK$*	*'000*	*'000*	*'000*	*'000*	
Directors:													
Chen Yongsen	6 December 2017	0.178	—	10,000	—	—	—	0.178	10,000	—	—	10,000	*(Note 1)*
Wang Shi Jin	6 December 2017	0.178	—	10,000	—	—	—	0.178	10,000	—	—	10,000	*(Note 1)*
Chen Hua	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	*(Note 1)*
Xu Ming	6 December 2017	0.178	—	5,000	—	—	—	0.178	5,000	—	—	5,000	*(Note 1)*
Guo Jun Hao	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	*(Note 1)*
Anson Poon Wai Kong	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	*(Note 1)*
Li Hongxiang	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	*(Note 1)*
Wong Kwok On	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	*(Note 1)*
Bonathan Wai Ka Cheung	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	*(Note 1)*
Chen Lei (Resigned on 18 December 2017)	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	*(Note 1)*
Subtotal			—	32,000	—	—	—		32,000	—	—	32,000	
Consultants	29 November 2010	2.807	1,570	—	—	—	—	2.316	1,903	—	—	1,903	*(Note 2)*
	22 October 2014	1.035	13,093	—	—	—	—	0.854	15,870	—	—	15,870	*(Note 4)*
	6 December 2017	0.178	—	33,000	—	—	—	0.178	33,000	—	—	33,000	*(Note 1)*
Subtotal			14,663	33,000	—	—	—		50,773	—	—	50,773	
Employees	2 September 2011	1.747	5,193	—	—	—	—	1.440	6,295	—	—	6,295	*(Note 3)*
	22 October 2014	1.035	5,713	—	—	—	—	0.854	6.924	—	—	6,924	*(Note 2)*
	6 December 2017	0.178	—	25,000	—	—	—	0.178	25,000	—	—	25,000	
Subtotal			10,906	25,000	—	—	—		38,219	—	—	38,219	
Total			25,569	90,000	—	—	—		120,992	—	—	120,992	

Note 1: These optioned are exercisable (i) as to 50% from 1 January 2018 to 31 December 2019; and (ii) as to further 50% from 1 January 2019 to 31 December 2019.

Note 2: These options have vested (i) as to 30% on the date of grant; (ii) as to further 30% one year after the date of grant; and (iii) as to the remaining 40% two years after the date of grant. These options will expire on the 10th anniversary after the date of grant.

Note 3: These options have vested (i) as to 25% on 2 March 2012; (ii) as to further 25% on 2 March 2013; (iii) as to further 25% on 2 March 2014; and (iv) as to the remaining 25% on 2 March 2015. These options will expire on the 10th anniversary after the date of grant.

Note 4: Options are exercisable on or after 22 October 2014. These options will expire on the 10th anniversary after the date of grant.

Purchase, sale 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.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company recognises 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 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the Year except for the following:

Under Code Provision C.1.2, management should provide all members of the Board with monthly updates on the issuer's performance, position and prospects, which may include monthly management accounts and material variance between projections and actual results. During the Year, although management accounts were not circulated to Board members on monthly basis, regular verbal updates were given by management to Directors on working level meetings from time to time, which the management considers to be sufficient and appropriate in the circumstances in giving a balanced and understandable assessment of the issuer's performance and enabling Directors to discharge their duties.

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.

AUDIT COMMITTEE

As at 31 December 2017 and the date of this Annual Report, the Audit Committee of the Company ("**AC**") comprised of four independent non-executive Directors, namely, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung. One out of four AC members, Mr. Anson Poon Wai Kong possesses recognised professional qualifications in accounting and has wide experience in audit and accounting. As at 31 December 2017 and the date of this Announcement, Mr. Anson Poon Wai Kong is the chairman of the 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 2017 has been reviewed by the AC, 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
Xu Ming
Director

Hong Kong, 27 March 2018

As at the date hereof, the Board comprises Mr. Chen Yongsen (Chairman), Mr. Wang Shi Jin (Chief Executive Officer), Mr. Chen Hua, Mr. Xu Ming, Mr. Guo Jun Hao and Mr. Zeng Yongguang as executive Directors; and Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung as independent non-executive Directors.